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MR HENRY GEORGE

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"ORTHODOX":

An Examination of Mr George's position as a Systematic Economist; and a Review of the Competitive and Socialistic Schools of Economy.

BY

ROBERT SCOTT MOFFAT

London

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PREFACE.

Mr. Henry George has become so great an authority in this country on the most vital economic questions of the day, that it is somewhat surprising our leading economists should have deemed his theories, which involve such vast organic changes, worthy of so little notice.

An attitude of lofty indifference to criticism, and of contempt for rival theories, may become those who lay claim to scientific certitude; but besides that a practical science cannot afford to despise a popular opponent, the pretensions of our received economy to deal with the burning questions of the day, cannot, by its most devoted disciples, be ranked very high. In fact it assumes towards those questions a position purely negative, and deprecative of any attempt to remedy acknowledged evils. To the difficulties which surround us it has no economic key. It has pronounced its last word in freedom of competition.

For anything beyond, it ceases to be a practical science, and contents itself with the "thou shalt not" of a moral one.

Thus orthodox economy has condemned itself; for freedom of competition, as I have elsewhere said, is no more a solution of the economic questions of the day than liberty to marry (from the Malthusian point of view, which our economists accept), is of the problem of population.

The unsolved economic questions of the day will manifestly, until solved, remain the great economic questions of the future; and the place and time for their solution is here and now. The labour of our economists has been to establish in England a model economic State, and the natural destiny of England has, with or without their aid, been accomplishing their desire. Wherever peace is permanently established, and industry prevails over anarchy, the general industrial organization of England is sure to prevail. The "unrestricted competition," so dear to the hearts of our economists, may not be adopted; but still competition will be the vitalizing principle of industrial organization throughout the civilized world.

Now it is in the competitive organization, in the purest form in which it has ever been exemplified, the purest possibly in which it will ever be seen, for perfect freedom of competition is an economic dream, that the evils have arisen for which our economists, in their concern for their pet theory, forbid us to seek a remedy. The dismal prospect thus presents itself that with the spread of our industrial organiza-

tion, these irremediable evils will everywhere be propagated.

Mr. George has thus shown sound judgment in bringing his economical theories to the test of English industrial organization. He stands thus between the past and the future, in the very centre of a great and silent revolution, which is going on independently of all teaching or authority. He sees rightly that America must become substantially an economic England. He dreads the prospect, and he comes to England to avert it. Mr. George professes to have found the solution of our unsolved problems, and he is accordingly prepared to prescribe the remedy for the evils involved in our industrial development. The nature of the situation thus gives Mr. George a *primâ facie* claim on our attention.

If the nature of Mr. George's remedy should indispose any one to listen to him—if, perchance, there are those who are not prepared to believe that the ills of society can be remedied by a change in the incidence of taxation—I have another claim to urge on his behalf. Mr. George, as a system-maker, in which capacity I wish to invite attention to him, is the legitimate continuator and developer of Ricardo, the great system-maker of orthodox economy. Ricardo, unlike some of his successors, did not relegate the problem of population to a remote future. He perceived in our system the evils of which Mr. George complains; but as he attributed them to the law of population as their source, he, like our modern economists, who, for the most part, seem to consider them as purely accidental, regarded them as irremediable.

Mr. George and Ricardo, however, both trace these evils to the same proximate cause, the aggressive nature of rent; but the former is able to take a more hopeful view of the case, because he regards this not as a necessity, but as a defect of industrial organization. This correction apart, I hope to show that Mr. George, in his processes of reasoning and construction of dogma, is a legitimate follower of the English master of economical method.

It is an interesting but difficult inquiry where Mr. George acquired his economical ideas. It is possible, by comparison with previous speculations, to discover what amount of actual originality his scheme presents; but the question I refer to is, what amount of originality had it in Mr. George's mind?

As a combination Mr. George's book is, perhaps, as original a contribution as has ever been offered to any science. Yet his method, with a difference that will be duly noted, is Ricardo's, and there is hardly a particular doctrine in his book that has not been previously propounded by some one. Even his great remedy itself is the cardinal doctrine of Quesnay and the physiocratic school, and was propounded in this country before them by John Locke, and subsequently to them by Dr. Chalmers.

Throughout his system of doctrines, too, there is hardly one which has not its counterpart in some previous system. He might have borrowed from Malthus (for whom his contempt is profound) and from MacCulloch, as well as from Adam Smith, Ricardo, Chalmers, and J. S. Mill. Although my

book, "The Economy of Consumption," preceded his by a very brief interval, I have found in Mr. George's book doctrines, or developments of doctrine, special to it.

Has Mr. George diligently collected all these things, or has he re-discovered them for himself? I believe the latter to be in the main the true explanation, chiefly because of the special originality of Mr. George's setting of his apparent "cribs." The sublimity his transformations impart to the commonest doctrines remind one that the accusation of plagiarism was brought against Handel.

BOOK I. CHAPTER I.

INTRODUCTION.

A WRITER in the *Quarterly Review** says Mr. George's book is "a model of logical and lucid arrangement." The lucidity of Mr. George's arrangement is remarkably facilitated by the comparative simplicity of the view he takes of industrial organization. However complicated its details, its salient points with him are uncommonly few, and it costs little trouble to arrange them in an ostensibly symmetrical series. Nevertheless, simple as Mr. George's arrangement is, it presents, from a logical point of view, one inconvenience. His first book discusses the theory of wages, the second that of population. Now, according to the received view, the former theory depends upon the latter. It is true that Mr. George's object is to bring himself to a dead-lock in his examination of the received theory of wages, so as to compel himself to fall back upon the preliminary question. But, in point of fact, he not only over-

* Mr. W. H. Mallock.

turns the established theory in his first book, but sets up a rival one before he has examined the preliminary question at all. I, therefore, cannot agree with the Quarterly Reviewer as to the strictly logical character of Mr. George's arrangement, although I do not think any great fault is to be found with it on the score of lucidity. At all events, as it appears to me that a clear view of the problem of population is indispensable to any useful discussion of the problem of wages, I have found it necessary to reverse the order of Mr. George's first and second books.*

Mr. George is the boldest of the opponents of Malthus. A reader of his book, unacquainted with the history of the Malthusian controversy, could hardly fail to be struck with the immense variety of weapons in the armoury wherewith Mr. George assails his opponent's theory, and he would be disposed to imagine that the discussion indicated on Mr. George's part a highly original view of the problem involved in it. As I have already hinted in the preface, I am prepared to believe that the argument so shaped itself in Mr. George's mind; yet it is singular to find that, apart from the peculiar dress in which he presents them, even the most recondite of Mr. George's arguments are old and familiar.

There is a more general reason than that which I have assigned for giving precedence to Mr. George's

* I do not regard the departure from logical arrangement as necessarily a fault. I have adopted the same plan in the opening of "The Economy of Consumption." My objection to the particular departure made by Mr. George is that it leads to the discussion and settlement of a complex question without an essential preliminary investigation. Had he discussed wages in a preliminary chapter, and resumed the discussion after that on population, the method would have been unexceptionable.

second book. The problem of population lies at the foundation of all economic science, and consequently can be discussed independently of any of the particular problems of the science; while none of these can be discussed independently of it. Mr. George's own discussion of it might, in fact, stand as an independent treatise. As, moreover, Mr. George is at issue with the received doctrine of population, the problem is with him a crucial one. If his theory of population stands, he has a basis for the rest of his system; if it falls, it becomes, at least, extremely doubtful how doctrines designed to fit into a particular theory of population will fit into its opposite.

Another reason for dealing with this section first is that it displays in a very special manner Mr. George's idiosyncracies as a reasoner, which might be less apparent to an untrained reader in his dealing with mere abstruse and technical questions.

Mr. George is a clear and concise writer, that is to say, he states a proposition in clear and concise language, and, although he does not always avail himself of the privilege, he can also state an argument clearly and concisely. But he has a fault, which is one of the greatest a scientific writer can have, a fondness for arguing by illustration. Mr. George, however, does not neglect direct argument except in some cases in which he seems to think his proposition nearly self-evident, a confidence which is by no means necessarily shared by his readers. His illustrations may, therefore, be taken rather as an excrescence than as a defect in his work, and, in most cases, they may safely be left out of consideration.

Another difficulty, however, occurs in quoting Mr. George, especially as in a purely polemical discussion conciseness is indispensable. It sometimes happens to him in hammering out an idea to arrive in the middle of a paragraph, or even of a sentence, at a clear and logical proposition which substantially expresses all he has got to say independently either of what goes before or of what follows it. I trust that in quoting such propositions in an isolated form I shall not do Mr. George an injustice; for while I may omit matter that is merely explanatory or illustrative, I shall be as careful as possible not to omit any qualification to which he has subjected any proposition he affirms. Mr. George's book is very accessible, and if I do not burden my pages with wholesale repetitions of it, scrupulous readers will easily be able to verify by reference to it the accuracy of my representations.

The book on population contains four chapters. The first chapter is merely explanatory, and contains an account of the received doctrine, and of its relations to other economic doctrines; the second deals with the evidence in favour of the Malthusian doctrine derived from fact; the third deals with inferences for and against it from analogy; the fourth, entitled "Disproof of the Malthusian Theory," gives the positive evidence relied on against it.

As the first chapter does not seem to me to require any particular comment, I have introduced an independent explanatory chapter. I have also summed up the examination in a concluding one.

BOOK I. CHAPTER II.

On the Unpopularity of the Existing Theory of Population.

The theory of population propounded by Malthus, and since known by his name, has earned for its author a most distinguished unpopularity. Hardly any author has been more thoroughly despised, abused, and even hated. Perhaps a fate more unenviable still is that which has recently befallen him of being made the object of a kind of fetish-worship by a body calling themselves the New Malthusians, whose speculations, whatever may be their intrinsic merit, Malthus himself would have held in the utmost abhorrence.

It is true, as has been often said, that there was nothing intrinsically new in the theory of Malthus. Many scholars, from the time of Plato and Aristotle to the time of Malthus himself, had either explicitly or implicitly given expression to the fundamental conception which involves the whole doctrine of Malthus. Moreover, about the time

of Malthus, the doctrine appears to have been in the air, as every important discovery is when it is due; or, as we may say if we are to assume the doctrine to be false, many writers were attacked by it as men are attacked by a contagious malady. But there were reasons why, previous to the time of Malthus, the doctrine should not have acquired that possibility of practical application that was essential to make it of serious importance even as a speculation. The very old observation, for which Mr. Frederick Harrison has recently claimed originality for Auguste Comte, that the period of predominance of industry in civilized society was preceded by a period of predominance of war, marks both the time and the place in which it was natural that the theory of Malthus should appear. The prevalence of industry over war, as the chief pursuit of civilized man, if not ultimately doubtful, yet remains up till this day most imperfectly achieved in the greater part of the civilized world.

While this state of things continues, speculation as to over-growth of population can be little more than an academic study. If there are natural powers capable of effecting a rapid growth in the numbers of human beings, there are social opportunities for their rapid consumption.

It is one of the most important circumstances in the history of England that her insular situation permitted her first among the nations of Europe to enjoy that security for internal peace, and that liberty of voluntary abstension from foreign wars, that were indispensable to her becoming a permanent

shelter for an absorbing pursuit of industrial enterprise. This circumstance, among other advantages, gave her the Malthusian theory.

Assuming that theory to be adapted to the conditions of industrial predominance, the merit of Malthus in its introduction was great. Others dealt with it informally, and incidentally. He alone gave it a place among the fundamental principles of economic science. Since then it is possible to evade or to deny the theory of population: it is impossible for anyone who pretends to deal systematically with industrial economy to ignore it.

The method of Malthus's book contributed to this result. Not content with a demonstration of the conditions that give the doctrine of population a claim to rank among fundamental scientific truths, he went into an extensive historical investigation to show that its operation could be traced through every variety and vicissitude of human experience.

The value of this so-called "inductive" evidence may not to a purely reasoning mind be as great as it is in popular estimation. The proof deduced from the natural conditions of human life, taken in conjunction with the fact, if it be a fact, of the expansive force of the reproductive powers, is alone conclusive.* But the inductive method, if less valid, is more imposing, especially to Englishmen, who can hardly be convinced by abstract

* The so-called induction, as I have shown in an article on Method, never reaches the dignity of a generalization, or scientific proposition, till it has assumed the form of a deduction.

reasoning. Moreover, this investigation has a value, apart from its value as evidence, and extending beyond the sphere of political economy. It gave, at least, a hypothetical answer to the problem which had hitherto baffled historians, whence, from comparatively uncultivated regions, came those incessant hordes that overthrew great empires, and overran the most fertile and populous regions of the earth? It threw also a new light upon a question which was becoming one both of historical and economical importance. If in a country whose resources are imperfectly developed, population, as Malthus professed to show, tends to press on the actual limit of developed resources, then it is easy to see how a mortal injury is inflicted upon the inhabitants of such countries when a more skilful and enterprising people occupies a large portion of their territory, and, measuring their pursuits by its own, expects them to live on the remainder. The decline of the savage before the civilized man appears in these circumstances to have been a marvel only to unsophisticated ignorance.

Among those who previously to Malthus gave expression to views analogous to his in relation to population, two remarkable instances may be noted. Dean Swift, in his "Thoughts on Religion," says: "Although reason were intended by Providence to govern our passions, yet it seems that in two points of the greatest moment to the being and continuance of the world, God has intended our passions to prevail over reason. The first is the propagation of our species, since no wise man ever married from

the dictates of reason: * the other is the love of life; which, from the dictates of reason, every man would despise, and wish it at an end, or that it had never had a beginning." The same great writer, in one of his bitterest satires, recommends, as a means of keeping down the population of Ireland, the cultivation of a taste for cooked babies as a luxurious article of diet. Adam Smith, in the chapter in which he deals with the wages of labour ("Wealth of Nations," Book I., Chap. VIII.), lays down this fundamental proposition, which is as distinct a statement of the theory of population as any given by Malthus: "Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply beyond it. But in civilized society, it is only among the inferior ranks of people that the scantiness of subsistence can set limits to the farther multiplication of the human species; (?) and it can do so in no other way than by destroying a great part of the children which their fruitful marriages produce."

I do not wish to spoil a quotation by putting part of it in italics; but the reader will do well to peruse the last clause of this passage as if it were italicised. It forms an admirable transition to the chief topic of this introduction. I have spoken of the unpopularity of Malthus; I wish now to advert to the persistent unpopularity of the Malthusian doctrine.

This unpopularity, it would seem, has exercised

* In his "Thoughts on Various Subjects," Dean Swift says: "We do not know what they do in Heaven: we know what they do not do. They neither marry nor are given in marriage."

an adverse influence not only on the reception of the doctrine, but on its theoretical development in co-ordination with other theoretical doctrines. The doctrine itself has been formally recognized by the highest in reputation among our economical authorities, but the recognition has been accompanied by many practical *caveats* calculated to stave off the responsibility for a strict application of it to existing circumstances, and so to save the credit of the acceptors without diminishing the odium of its original form. Even of those who have accepted it most unequivocally, most, if not all, have wholly missed its true purport and application.

One of the first to recognize the doctrine theoretically and evade it practically was Professor Dugald Stewart, who, in his "Lectures on Political Economy," Part I., Book I., chap. ii., says, "The field which yet remains to employ the labours of ourselves and our children, is sufficiently ample to animate the exertions of the most sanguine beneficence; and it is a miserable misapplication of the time and talents which are now in our possession to waste them in fruitless anticipations of the condition of remote ages, while so much may be done to lighten the pressure of actual evils." This is, with various modifications, the popular way of regarding the doctrine still, and it is far from being without economic sanction. There are even distinguished writers in the "Quarterly Journal of the Statistical Society of London,"* who think that even from

* Particularly Mr. Stephen Bourne, the author of several independent works on statistics.

their point of view substantial grounds can be found for it. It is evident, however, that this is not the way in which the theory was regarded by Adam Smith, or in which it was propounded by Malthus. And it may be said at once that such a view is not an acceptance, but a denial, and, if the theory be true, a denial more pernicious than the most direct negative, of the doctrine of population. For one of the essential conditions of the practical application of the doctrine is the gregariousness of man. The doctrine of population does not mean that when the whole surface of the earth is covered with human beings, there will begin to be a danger of over-population. It means that such a danger exists now, and will continue to exist, in every settled community. The mere pressure of population upon subsistence does not suffice to induce a settled community to disperse in search of wider habitations. Before pressure can produce dispersion it must become severe, and emigration then affords but a temporary and partial relief. It is not each community alone, but every section of a community, of whatsoever kind, to which the theory of population has a distinct application. It applies not merely to local divisions, but to separate classes, and to separate divisions of each class, and this is the only condition on which its application can ever become practical. The means of subsistence of any trade or profession in any community depend upon the demand for the services of that trade or profession in that community, and the trade or profession that increases beyond the

demand for its services violates the law of population as much as if it over-peopled the world.

Upon this view of the problem the question we have to consider is, whether the unpopularity of the theory of Malthus is or is not deserved. The theory, if true, demands a universal application. Rightly apprehended, it says, not, as Adam Smith supposes, to the working classes alone, but to every class, "beware of increasing beyond the means of maintenance which the economy of society provides for you." This is a restraint that comes home to every individual, and it cannot, and ought not to be borne, without reasonable cause. But the question we have now to consider is, not, is the theory true? but, is its truth desirable? If we had the choice, should we wish it to be true or false?

It is highly necessary that such a question should be put as a preliminary to an examination of Mr. George's view of the theory of population. For Mr. George is no half-hearted antagonist. He bans and curses the theory in every sense, and from every point of view. And his opposition to it on theoretical grounds is diametrical. As far as Malthus can extend the capability of the human species to grow, so far does Mr. George extend the adequacy of the provision for its growth. Incredible as it may seem, but as we shall certainly see, he extends it even farther. We have thus the two views directly put before us. There is no paltry quibbling about the degree of attention necessary to be given to acknowledged limits. The question is simply whether the actual capacity for development of the

human race is finite or infinite. It may fairly, then, be asked, which alternative is desirable? And this question possesses equal interest whether we assign the palm of victory as to the truth of their respective doctrines to Malthus or to George. For, on the one hand, while the carpers at Malthus have failed to reconcile us even to their own modifications of his views, possibly Mr. George may succeed in reconciling us to Malthus himself; and, on the other hand, it would be a rare misfortune if, after Malthus's doctrine had been held odious as long as it was at least partially believed to be true, it should turn out to be only and truly desirable just at the moment when it was found to be wholly false; and if we should curse Mr. George for vanquishing Malthus, whom we had cursed. Let us hope, then, that the terms in which John Stuart Mill, one of its most steadfast supporters, describes the doctrine of Malthus, that the limit of population is due to the "niggardliness of nature," may not apply to the true doctrine, whichever it may turn out to be.

We have then to contemplate the question of infinitude. Pascal puts the hypothesis of an infinite material universe, and he insists on its acceptance on the ground of the infinitude of God. From the infinite divisibility of matter to the infinite expansion of space, he fills his universe with worlds of organized being. Now, if this hypothesis is true, the term universe is manifestly a contradiction. With worlds between which in no conceivable lapse of time and with no conceivable rapidity of transit is communication possible, how can there be anything at

one? If the universe is infinite, then to each particular part of it the mass must be infinitely nonexistent. We may surely take a different view of creation from that propounded by Pascal. If God is infinite, His creatures are not. We know of various suns and systems, but none of them is infinite to our apprehension. The chemical theory of matter disposes of infinitude as a practical part of the structure of our globe, and, so far as we know, the rest of the material world resembles it. We can, therefore, no longer see "myriads of worlds in the tear of an insect." Thus, if the world is made for limited intelligences, may we not reasonably suppose it to be limited?

To the human intellect the notion of infinitude, look at it how we may, presents a prospect which is irreconcilable with sanity. We cannot get rid of the notion of infinitude, but we must turn away from it if we would preserve our reason. There is one pleasing view we might take of the infinite if we could only reconcile it with the ultimate conditions of reason. The hypothesis is this: the infinite represents capacity, the finite attainment. There is no real infinite; but there is no assignable limit to possible attainment. But there are infinities that will not thus be exorcised. The most inexorable are those of time and space. I shall briefly refer to the former only. We can scarcely conceive of a real infinitude of future time, for were infinite time to be realized time would be at an end, and the infinite exhausted. But with an infinite duration of past time the case is different. It is utterly impossible to conceive an absolute beginning of being. But if

being had no beginning the past must be infinite. Now the past, whether long or short, is certainly over, and beginning and end, like opposite extremes of space, are absolute correlatives, so that we have here a true infinitude which is absolutely at an end. But the notion of the infinite mocks us with contradictions more inconceivable still. If space is infinitely divisible, so also is time. There must, therefore, be an infinite succession of distinct periods of time in a moment,* which passes almost before we are aware it is present.

Let us pass, then, from a notion which so transcends and baffles our reason that we cannot live at peace with it. If it is one of the conditions of our existence that the number of our race should be unlimited, surely it is not a desirable condition, and if we value our own peace of mind we must wish the victory to Malthus.

But if our race is to have a limit, where should we wish the limit drawn? Do not 30,000,000, 80,000,000, or 100,000,000 constitute a nation large enough for patriotism? Do not 250,000,000 constitute an empire big enough for ambition? Do not 1,500,000,000 make a world large enough for sympathy? Does not even Malthus still leave us a continent or two to fill? And what do the conditions of his theory demand of us? Only that in the propagation of our species, as in all other things, we shall go about the business, whether of maintaining or increasing population, with prudence and moderation.

* As an illustration of the actual divisibilty of time, it may be mentioned that it is ascertained that about 600,000,000,000,000 waves of light enter the eye successively in a moment.

BOOK I. CHAPTER III.

Mr. George's Examination of the Facts in Support of the Malthusian Theory.

From his introductory chapter, it appears that Mr. George's hostility to the Malthusian doctrine is grounded on the belief that it lies at the root of the received doctrine of wages, which it is his main object to overthrow. How far this is the case we shall have an opportunity of examining in the following book. It is true, as Mr. George himself remarks, that Adam Smith has anticipated Malthus in the statement of the theory of population, and Ricardo's theory of wages seems to have been framed with direct reference to that theory; but, on the other hand, there seems no evidence that Adam Smith had the theory of population distinctly in view in framing his general theory of wealth. That theory is followed by Ricardo, and to it the theory of wages is also designed to conform. A theory of wealth framed without reference to the more fundamental problem of population may happen to be true; but it is open

to grave suspicion that it may, at least, be found defective. Although the theory of wages may have been framed with some reference to the theory of population, it does not necessarily follow that it, or the theory of wealth to which it is related, are in accordance with that theory. In saying that the doctrine of wages "finds it's strongest support" in the doctrine of population, Mr. George assumes a closer relation between them than he has shown to exist. By getting rid of the doctrine of population, it is possible he may get rid of the obnoxious doctrine of wages; but it is also possible that, by establishing the doctrine of population, he might render the amendment of that doctrine imperative.

Another observation occurs in the introductory chapter, which it is essential to note, in order to a due appreciation of Mr. George's point of view in dealing with the facts in evidence of the Malthusian theory. He says the assumption of geometrical and arithmetical ratios of increase is "a play upon proportions which hardly rises to the dignity of that in the familiar puzzle of the hare and the tortoise;' and he quotes John Stuart Mill as calling it "an unlucky attempt to give precision to things which do not admit of it, which every person capable of reasoning must see is wholly superfluous to the argument."

Now, in spite of John Stuart Mill's characteristic mode of defining those who do not agree with him, he and Mr. George are entirely wrong on this preliminary point. I do not defend the terms "geometrical" and "arithmetical," as applied to the ratios

of potential increase of population and food respectively; but the ratios upon which Malthus insists are definite, and they are within the limits of the facts adduced in support of them. Malthus gives twenty-five years as an estimate of the time within which a population free from any restraint might double itself, an estimate which there is reason to believe is well within the limit of possible growth. He supposes that in each similar period land which had been cultivated up to a certain degree of fertility, that of the current skill of husbandry in his day, would not have its fertility increased by more than an equal increment, an estimate which no experience affords the faintest hope of ever being exceeded.* The inevitable conclusion is, that while population, by its inherent force, tends to grow at the rate of 1, 2, 4, 8, &c., or over, it is retained by the limit of maintenance from growing at a rate exceeding 1, 2, 3, 4, &c., or under. This is the essence of the Malthusian doctrine, and not merely, as Mr. George represents, "that population tends to increase faster than the power of providing food." This difference will be found essential in dealing with the facts; it is also important in the application of them. It is not merely that population, if unrestrained in its growth presses upon resources, but that it presses upon a diminishing margin with continually growing stringency. The nature of the process is this. When population and production start from 1, there is no pressure untill 2 is reached. But at 2 population

* Malthus himself distinctly says the estimate is excessive.

has acquired a force which would carry it to 4, while production only reached 3. It is, however, restrained, and they reach 3 together. Three times the initial population is now pressing on a uniform or diminishing margin, so that its force would be sufficient to carry it to 6, while production went on to 4. What the opponents of Malthus habitually forget is, that this theory assumes the unrestrained growth of population. It is a measure of the amount of pressure needed, in some form or other, to prevent population from exceeding its resources. The theory not only admits, but asserts, that the pressure is in point of fact exerted; but because this fact does not lie open to superficial observation, the opponents of the theory take advantage of its non-appearance to deny the force of the tendency of growth altogether. The varying rate of mortality upon which Malthus dwells as the main indication of pressure is ignored by some opponents, who look exclusively to the adequacy of resources to the maintenance of the existing population, while by others, like Mr. George, it is boldly attributed to other causes.

In his second chapter, Mr. George, like many of Malthus's opponents, begins his attack upon Malthus's facts by an attack upon Malthus himself. This is his appreciation of the author of the "Essay on the Principle of Population":—

"This famous work, which is much oftener spoken of than read, is still worth perusal, if only as a literary curiosity. The contrast between the merit of the book and the effect it has produced, or is at least credited with . . . is, it seems to me,

one of the most remarkable things in the history of literature. . . . It begins with the assumption that population tends to increase in a geometrical ratio, while subsistence can at best be made to increase only in an arithmetical ratio. . . . Commencing with such an absurdity, the essay includes a long argument for the imposition of a duty on the importation, and a bounty on the exportation, of corn, an idea that has long since been sent to the limbo of exploded fallacies. And it is marked throughout the argumentative portion by passages which show on the part of the reverend gentleman the most ridiculous incapacity for logical thought, as, for instance, that if wages were to be increased from eighteenpence or two shillings per day to five shillings, meat would necessarily increase in price from eightpence or ninepence to two or three shillings per pound, and the condition of the labouring classes would, therefore, not be improved.* . . . This confusion of thought does not merely crop up here and there. It characterizes the whole work. The main body of the book is taken up by what is in reality a refutation of the theory which the book advances, for Malthus's review of what he calls the positive checks to population is simply the showing that the results which he attributes to over-popula-

* Malthus did not advocate bounties. He simply corrected some erroneous statements of Adam Smith as to their effects. He did not advocate duties on the importation of corn indiscriminately. He held, truly, that the consequences of raising a population greater than the internal resources of a country can support are justly to be dreaded, and he said a duty on corn to maintain an equal balance between agriculture and manufactures was not impolitic. With regard to wages, what Malthus says (Chap. V.) is, that an increase of wages not earned by an increased productiveness of labour, but contributed by charity, would not permanently raise the condition of the poorer classes.

tion actually arise from other causes. Of all the cases cited, and pretty much the whole globe is passed over in the survey, there is not a single case in which the vice and misery can be traced to an actual increase in the number of mouths over the power of the accompanying parts to feed them; but in every case the vice and misery are shown to spring either from unsocial ignorance and rapacity, or from bad government, unjust laws, or destructive warfare."

Here at once we find the consequences cropping up of Mr. George's misconception of the theory of Malthus. Malthus starts with the hypothesis that if population is not prudentially restrained, a positive restraint, which must be either vice or misery, is inevitable. He examines many societies in which a prudential restraint in vigorous exercise cannot be found, and he finds in all of them vice and misery sufficient to account for the actual limitation of growth.

Mr. George supplements this preliminary criticism on Malthus by saying: "Nor what Malthus failed to show, has any one since him shown. The globe may be surveyed, and history viewed in vain, for any instance of a considerable country in which poverty and want can be fairly attributed to the pressure of an increasing population."

When Malthus offers the inductive evidence that vice and misery exist wherever population is not otherwise restrained, Mr. George replies: "But you have not proved in a single case that vice and misery result from over-population, and not from

other causes." It may be noted that it is not Malthus who has proved the contrary, but Mr. George who says he has. The natural tendency of Malthus's evidence is to establish the connection assumed in his hypothesis; but it would be very difficult to do this on Mr. George's conditions. "The vice and misery," says Mr. George, "in every case proceed not from over-population, but from other causes." And when you ask, "From what causes?" he replies, "From vice and misery."

Where there is a too rapid growth of population, "unsocial ignorance and rapacity" are certain to arise; and from these bad government will eventually spring. War is also one of the vices or miseries by which over-population is restrained. How many wars result from the desire for increased territory, or from the migrations of peoples desirous of larger or more fertile lands. Yet these, and not over-population, are, according to Mr. George, the sources of vice and misery. If Mr. George had looked a little deeper, he would have found that the sources of vice and misery are the excesses of human passion. Is, then, the sexual passion the only one not liable to excess, and free from liability to produce such consequences? If vice and misery, in the forms which Mr. George alleges, have a natural tendency to restrain the growth of population, then it is evident that where, from whatever cause, they exist, the growth of population cannot be unrestrained. Malthus nowhere asserts that all vice and misery are due to over-population. What he says is, that if population is allowed to

run to excess, vice or misery cannot be avoided, so that where there is not virtue enough to restrain population, vice and misery are either restraining it already, or they will be produced by it. To satisfy Mr. George's conditions, it would be necessary to find a society in which neither vice nor misery existed, but in which a pressure of population was seen in the very act of producing them.

But Mr. George has not done justice to Malthus's case, even from his own point of view. Malthus has not confined himself to cases in which prudential restraints were wanting. He also instances cases, though necessarily fewer in number, where they have operated powerfully, and there he has found the vices and miseries that tend to restrain population less prevalent.

Such is Mr. George's notion of inductive evidence.

Having thus laid the axe to the root of the tree, Mr. George proceeds in the following manner to cut it down.

"It is," he says, "a fact that, as we count our increasing millions, we are apt to lose sight of; nevertheless it is a fact that, in what we know of the world's history, decadence of population is as common as increase. Whether the aggregate population of the earth is now greater than at any previous epoch is a speculation which can only deal with guesses." He then spends several paragraphs in a survey of the fluctuations of population in various parts of the globe, winding up with the characteristic suggestion, "It is somewhat strange that among all the theories that have been raised,

that of a fixed quantity of human life has not been broached."

Mr. George's notions of evidence are truly versatile. He has scarcely drawn breath since he accused Malthus of adducing facts which he did not trace to the alleged cause. What does such evidence as Mr. George here adduces prove? Does he mean to say that there are instances of restrained or declining population with which vice and misery, of the kinds he himself alleges to exist independently of the growth of population, have nothing to do? But if, under these conditions, population declines, what does that prove as to its natural power of growth? Does he mean to say that if the prevalence of vice and misery were lessened the growth of population would not be increased? And if this is so, if the restraint upon the growth of population is in proportion to the prevalence of vice and misery, what stronger negative evidence in favour of the Malthusian theory could he have?

If the main cause of the fluctuations to which Mr. George refers has been war, do not their temporary duration afford a strong proof of the force of the reproductive principle which has incessantly repaired the ravages of that destructive scourge?

There is on this point an argument which Mr. George's "orthodox" opponents could not very conveniently use, but which is open to me. Mr. George has rejected the doctrine of economists, that industry is dependent for its growth upon a capital which is supplied to it by the independent agency of parsimony. Mr. George's argument against this

doctrine is, as I shall have occasion to show, inconclusive, because he has missed the point of the doctrine he is trying to refute; but even if he had apprehended the doctrine truly, I hold that he would still have been justified in rejecting it. I am, therefore, at liberty to turn against him his own argument in as far as it is relevant. Now, Mr. George avails himself against this doctrine of the illustration afforded him by MacCulloch, Chalmers, and (*mirabile dictu*) John Stuart Mill, the most strenuous supporter of the assailed doctrine, of the rapidity with which capital repairs the ravages effected by war. Now, if this argument is good to prove the reproductive powers of capital, is it not equally good to show the force of the reproductive power that repairs the similar ravages in population?

Mr. George has not yet reached the limit of his controversial resources. He has yet something to present us with of a more startling character; but he pauses in his career in order to offer us a little incidental argument of a more plausible aspect which he appears to have picked up by the way.

"Malthusianism," he says, "predicates a universal law, that the natural tendency of population is to outrun subsistence. If there be such a law it must, wherever population has attained a certain density, become as obvious as any of the great natural laws which have been everywhere recognized. How is it, then, that neither in classical creeds and codes, nor in those of the Jews, the Egyptians, the Hindus, the Chinese, nor any of the peoples who have lived in close association, and have built up

creeds and codes, &c., do we find any injunctions to the practice of the prudential checks of Malthus?"

There is at least one considerable exception to Mr. George's statement. By far the most effectual prudential restraint on over-population is marriage.* Referring to this, I have formerly said "the constitution of civilized society is Malthusian." Such societies encourage the growth of population only in families, wherein provision is assumed to be made for it. But taking the argument as we find it, Mr. George has conveniently placed it just after the answer he has himself furnished to it. The governing power of society hitherto has not been industry, but war. As long as men slaughter each other freely, and for the purpose, among others, of appropriating their means of maintenance, there is no need of codes to induce them to restrain the growth of population.†

* Malthus usually assumes that marriage promotes population, and, so no doubt, it does positively; but the question is not as to positive growth, but as to growth relatively to means, and this marriage restrains by introducing parental responsibility.

† In the opening of the article, "Population," in the "Popular Encyclopædia," I have formerly noticed this argument thus: "No feeling is more deeply seated in the human breast than the desire of offspring. The mere instinct of propagation, which man has in common with other animals, acquires in his case an extension and power from his intellectual elevation and the greatness of his nature, which is impossible in the case of the lower animals; and when to the social and other considerations, the influence of which is peculiar to mankind, we add the attractions which imagination lends to the passion of love, and the power which that faculty possesses of compensating for the brevity and uncertainty of life by projecting it with a sense of reality and identity of interest into succeeding generations, it will readily be perceived that however frequently celibacy may be enforced by circumstances, or prompted by religious zeal, a purely voluntary abstention, unmotived save by want of inclination, or the strength of opposing tastes, will always be so rare as to be wholly inappreciable in its general effects, so that its complete absence may be assumed as the basis of a scientific discussion of the laws of population. But although, taking mankind in the mass, the individual desire to contribute to the increase of the species may be held to be universal, the actual growth of the population is nowhere left entirely to the unaided force of this motive. In respect to the gratification

Here, again, the argument I have referred to tells once more against Mr. George. Are great laws of nature recognized so readily? How long is it since the law of gravitation was recognized? Why has Mr. George to re-propound a theory of capital which our leading economists still reject, though

of this desire men are to some extent rivals, because, except in new communities, there are few societies in which all men can have the opportunity of gratifying it: yet this rivalry is less felt than the sympathy which all have in common with a universal sentiment, and there are common as well as individual motives for encouraging population, to which this sympathy gives greater activity. Hence, in almost all primitive societies, and in many advanced ones, marriage, as the means of contributing to the maintenance and growth of population, has been regarded, if not as a matter of positive religious obligation, yet as possessing a natural moral sanction of almost equal weight, and to obviate any obstructions which the organization of society might put in the way of its universality, it has been held to be a matter of State policy to encourage it by positive laws. Besides the natural sentiment an adventitious circumstance has greatly contributed to make the encouragement of population a constant object of State policy. Mankind has hitherto lived in a state of chronic warfare. Contiguous nations, both barbarous and civilized, continue to maintain, as they have always maintained, their possessions against each other by a show of force; and from time to time questions arise between the most advanced nations, which are only settled by extreme violence, and a wholesale destruction of human life. However melancholy this condition of human society may be, it has to be reckoned with as a fact, and as no means have yet been discovered of remedying it, such outbursts of destructive violence may be looked for in the future as in the past. Now there are several effects which this state of things has upon the growth of population which have an obvious influence on State policy. As long as a state of violence is normal, as long even as it may be resorted to on an extreme emergency, a motive for the growth of population is created which is independent of the resources of the community, or of the means of affording happiness or supplying material comfort to those called into being. Where war is the question numbers are strength, and, other things being equal, the community which can bring most men into the field will prevail. Heaven helps the strong battalion, is an approved maxim of trade-craft with men of the sword and rifle. Hence, whether for defence or attack, whether from motives of fear and jealousy or ambition, the numbers of a community become a matter of vital importance, and the question which from the vulgar standpoint of common statesmanship it is natural to put is, not how many can the country support well? but, how many can it support at all? But the state of warfare, while it raises the motive for encouraging population beyond the bounds of common prudence, or, indeed, of any other restriction, puts very distinct and frequently very severe restrictions upon the means of effecting the object. Soldiers are necessarily withdrawn from productive industry. During all the time of training and actual warfare, which in the case of standing armies is permanent, their labour is precluded from contributing to the fund by which the population is maintained, and out of which alone can come the means of increasing it. Owing to this and other circumstances a soldier's life is to a considerable

it has been pressed on them again and again? or why is he seeking to overthrow what is generally recognized as the natural law of wages?

We now come to an argument which demands attention rather on the ground of its psychological than of its substantial value. In the latter respect it will be rather apt to recall to the memory of the reader Mr. George's estimate of the logical capacity of Malthus.

"If the tendency to reproduction be so strong as Malthusianism supposes, how is it that families so often become extinct—families in which want is unknown? How is it . . . that in such an aristocracy as that of England, so many peerages should lapse? . . ."

extent one of enforced celibacy, and while a considerable number of men in the flower of life are prevented from contributing in the proportion they would naturally do to the growth of the population, the support of these celibates forms a burden on the rest of the community which restricts its means of increase. In actual war there is, in addition to the ordinary burden, the drain of human life, and the enormous expense at which war is maintained, while, when the war is over, the ranks of the army are recruited from those who remain, and the normal burden is not diminished. When a soldier is killed he ceases to be of any use for promoting population, but if he were not replaced the community would be relieved of the burden of keeping him; but as another is put in his place the community is weaker by a man, has still this burden to bear, and has, besides, to pay for the expense of killing the lost man, which is considerable. That nations under these circumstances uniformly prosper and grow in numbers says much for the natural strength of the reproductive principle. Another consideration, besides the exigencies of aggression or defence, has contributed to make the promotion of population a political object. The governing classes are usually the holders of property, and density of population increases the value of property, irrespective of the happiness or misery of the population as a whole. That which gives value to property is labour, and the greater the number of labourers in a community, the greater will be the amount of service which the holders of property will be able to obtain in return for the use of their property.

"The natural sentiment in favour of reproduction affects not only the religious and political, but the social and commercial views of men. Marriage is in all communities undoubtedly held to be a condition of honour as well as of bliss. Social distinction and innumerable minor privileges await it, and the natural incentives to adopt this state are thus largely increased, and in a way which is especially attractive to the young and inex-

"For the solitary example of a family that has survived any great lapse of time, even though assured of subsistence and honour, we must go to unchangeable China. The descendants of Confucius still exist there, and enjoy peculiar privileges. . . . The descendants of Confucius, 2,150 years after his death in the reign of Khangi, numbered 11,000 males, or say 22,000 souls. . . . The esteem in which this family is held on account of their ancestor, 'the most holy ancient teacher,' has prevented the operation of the preventive check, while the maxims of Confucius inculcate anything but the prudential check."

Malthus is a dog whom any stick is good enough

perienced. Commerce adds a speculative element to the inducements to marriage. It not only holds out hopes which induce men to anticipate the calculations of prudence, but it makes marriage itself an available resource which can be counted on as having a distinct mercantile value. The universal sentiment in favour of marriage causes it to be regarded as a sort of certificate of character and guarantee of stability in a young man. Even when the act itself is imprudent, he gains by it among those who have no special knowledge of the circumstances a *primâ facie* reputation for prudence, and, as it were, steals a character by flattering the popular prejudice. But commerce is itself only a species of war. Its votaries have a faith in the inexhaustibility of its resources as implicit as that of despots in the power of their legions; but as there can be no commerce in that which is not produced, commerce is as strictly limited by production as war is by the resources of those at whose expense it is carried on.

"On a *primâ facie* view of the problem of population, then, it appears that while there are in the organization of society itself considerable hindrances to the full development of the powers of reproduction inherent in the human race, the prevailing sentiment of mankind, as represented in religion, politics, social usages, and commercial enterprise, has been uniformly in favour of encouraging the use of these powers, so that the growth of population has come to be commonly regarded as an indispensable sign of the prosperity of a community.

"The policy of population thus indicated, though founded on a natural sentiment, supports itself on so many aggressive movements, conquest, commerce, emigration, that it may not inaptly be designated the war policy. In proof of its prevalence the laws and institutions of many ancient nations—Hindus, Chinese, Persians, Romans—might be cited, but it would be useless to give particular instances of what is all but universal. Even at the present day this policy is upheld by a vast preponderance of popular opinion, and is not without scientific support. It is questioned only by a few economists, whose views are generally met by misrepresentation."

to beat, but when rotten wood is too freely used it is apt to fly where it is not intended to hit. If there is any strength in this argument it is just sufficient to break the logical head from whence it proceeds.

How can any man who gives a moment's serious consideration to the question suppose that in a country closely populated like England or China any class or family is exempt from the "preventive" checks to population? What is the primary condition of the existence of an aristocracy in any country? Surely it is that it should be limited in numbers. The size of the families of the actual members of the aristocracy may not be limited by pressure on means, but the penalty of extending their numbers is that the excess must sink into the undistinguished mass, subject to the full brunt of the unprivileged struggle for existence. What does Mr. George mean by saying that the family of Confucius is freed from the positive check by the esteem in which it is held? Does esteem free it from vice and misery? Mr. George condescends to give us no authority for the valuable facts he adduces as to this family, but as far as they serve his purpose he may easily be made a present of them.

Mr. George, however, is not quite satisfied with the case of the Confucius family, upon which he proceeds to reason thus—

"Yet, it may be said, that even this increase is a great one. Twenty thousand persons descended from a single pair in 2,150 years is far short of the Malthusian rate, nevertheless it is suggestive of possible overcrowding.

"But consider: Increase of descendants does not show increase of population. It could only do so when the breeding was in and in. Smith and his wife have a son and daughter, who marry respectively some one else's daughter and son, and each have two children. Smith and his wife would thus have four grandchildren; but there would be in the one generation no greater number than in the other, each child would have four grandparents. And supposing this process were to go on, the line of descent might continually spread out into hundreds, thousands, and millions; but in each generation of descendants there would be no more individuals than in the previous generation of ancestors. The web of generations is like lattice-work, or the diagonal threads in cloth. Commencing at any point at the top, the eye follows lines which at the bottom widely diverge; and beginning at any point at the bottom, the lines diverge in the same way to the top. How many children a man may have is problematical. But that he had two parents is certain; and that these again had two parents each is also certain. Follow the geometrical progression through a few generations and see if it does not lead us to quite as 'striking consequences' as Mr. Malthus's peopling of the solar systems."

I quote this passage that the reader may, by comparing the argument advanced in it with the others in this and the following chapters, have a full view of Mr. George's resources in dealing with the theory of Malthus. In the whole wonderful rigmarole there is only one statement relative to the question at

issue, "How many children a man may have is problematical." We know the possible limit of a man's ascendants, and we know accordingly how far it is possible for population to decline. We do not know the possible number of his descendants, and cannot set a limit to the possible advance of population; but we do know that while a man can only have two parents and four grandparents, he can have more than two children and four grandchildren. We know also that married people commonly have more than two children; and we know that in a fully occupied country the full effect of this expansive power of growth on the increase of population is never experienced, because a high birth-rate is always accompanied by a high death-rate. We know also that, especially in large towns, and in their most crowded districts, a large proportion of the deaths occur at very early ages, affording a strong presumption for the inference that they are due if not to a general, at least to a local, or special pressure of numbers upon resources that will not expand with sufficient rapidity. This is the gist of the question which Mr. George attempts by this frivolous illustration to mystify.*

Mr. George concludes this chapter with a more serious examination of three particular cases, those of India, China, and Ireland.

The distress of India under the Mogul govern-

* So far as I know the Confucian argument with its net-work development is original. The latter, to make it relevant, implies that the descendants of Confucius, both in the male and female line, are reckoned in the family. No man has two paternal grandfathers, so that reckoning families in one line chokes Mr. George's progression at the source.

ment was, he asserts, due to "merciless rapacity, which would have produced want and famine were the population but one to a square mile and the land a garden of Eden." The first era of British rule was distinguished by "as merciless a rapacity, backed by a far more irresistible power."

"But," he adds, "the lawless licence of early English rule has been long restrained. To all that vast population the strong hand of England has given a more than Roman peace; the just principles of English law have been extended by an elaborate system of codes and law officers designed to secure to the humblest of these abject people the rights of Anglo-Saxon freemen; the whole peninsula has been intersected with railways, and great irrigation works have been constructed. Yet, with increasing frequency, famine has succeeded famine, raging with greater intensity over wider areas."

"Is not this," Mr. George asks, "a demonstration of the Malthusian theory?" One would think it was at least a contribution thereto. How does Mr. George dispose of it? Simply by a *résumé* of the exaggerations and calumnies of a small body of Anglophobians among us in relation to English administration in India. But Mr. George's authorities, taking them at their word, do not give the least support to Mr. George's hypothesis. One of Mr. George's strong points is this: "A most expensive military and civil establishment is kept up, managed and officered by Englishmen, who regard India but as a temporary place of exile; and an enormous sum, esti-

mated at least £20,000,000 annually, raised from a population where labourers are in many places glad in good times to work for 1½d. to 4d. a day, is drained away to England in the shape of remittances, pensions, home charges of government, &c.

In *The Nineteenth Century* for April, 1884, one of Mr. George's Anglophobians, J. Seymour Keay, in an article entitled "The Spoliation of India," says the drain to which Mr. George refers "amounts not to £15,000,000, but to nearly four times that sum." On the following page he says: "Last year India exported produce valuing £83,000,000. Allowing that her merchants naturally earned profits on these at the English rate of 33 per cent., then she was entitled to receive imports in exchange to the value of £111,000,000; whereas her actual imports last year (after deducting £5,000,000 for increase of debt, as already shown, amounted to only £58,000,000, showing tribute paid to England not of £15,000,000, but of no less than £53,000,000!" Again, he says: "It must be remembered, moreover, that about one-fifth of the exports from India comes from the Native States, which, being subject to no similar deadly drain, get back the full value of their exports, together with their profits. The result, therefore, is that in exchange for the produce of British India, exported last year, valuing £66,000,000 at the port of shipment only £38,000,000 (again allowing for increase of debt) were received back, instead of £79,000,000 justly due, even at the low average rate of profit realized by all Europe."

The notion of a profit of 33 per cent. all round on the entire foreign trade of England is one of which the absurdity will be apparent to every commercial man. The manner in which Mr. Keay makes it up is remarkably simple. "In the ten years from 1870 to 1880," he says, "Great Britain made average yearly exports of the value of £278,000,000, receiving in exchange imports to the amount of £371,000,000. She thus got full value for her exports and a profit of 33 per cent. besides." The last sentence he puts in italics. In like manner he shows that "the whole of Europe exchanged its exports for imports with a clear profit of 19 per cent." He overlooks, among other things, that the trade of Europe, and especially of England, with the eastern and western continents is mostly carried on in European vessels, and that the imports of Europe have accordingly to pay not only for European exports, but for the labour of building and working the vessels in which the trade is conducted. I have not access to the authorities from whom Mr. Keay takes his facts, and he does not say how the value of his imports is made up. On this point I may say that official reports are usually deficient in information, and it is entirely useless to compare the statistics of different countries unless it is known that they are framed on identical principles. Mr. Keay thinks India ought to receive from England imports to the value of £111,000,000 in return for exports valued at £83,000,000. But on the same principle England ought to receive for the £111,000,000, imports valuing 33 per cent.

more, or £148,000,000, in which case the value of the Indian exports ought again to be advanced 33 per cent., and so on *ad infinitum*. I mention this to show that these comparative values are purely local and conventional, and that everything depends upon the place and mode in which they are made up. In an official return, the private imports of India from 1880-1 are given at £59,297,348, and of exports at £76,694,333.

In the "Statesman's Year Book" for 1884, Mr. Keay's year, the total imports and exports of merchandise and treasure, excluding Government stores and treasures, are given as under:

Imports	...	...	...	£63,456,197
Exports	...	...	...	84,281,723

This gives on the surface about Mr. George's twenty millions, but there is no information as to how the comparative values are made up. It may be said, however, that it is a matter of perfect indifference whether India receives Government stores, whether for civil or military uses, from England, or manufactures them at home. In either case the labour of producing the stores, or the produce which pays for them, brings as a return nothing but the stores. The area of British India is 863,244 English square miles. Its population in 1881 was 198,755,993. Its revenue, including public works, in the year ending 31st March, 1881, was £72,559,978, its expenditure £76,694,333. Thus the whole amount of its taxation, whether exported to England or expended at home, is much

less than that of Great Britain with an area of 120,832 square miles, and a population of 35,000,000. Mr. Keay's charges are, therefore, simply false accusations.

But let us give Mr. George the benefit of his accusation, as amended by Mr. Keay, without examination. To what does it amount? Whether thirty or sixty millions of the taxes of India go to England, what does it matter? The taxes of India, like the taxes of every country, are levied for services rendered. They are, as we have seen, not excessive; and it is unworthy of an economist to pretend that the prosperity of a country depends upon where the payments it makes for value received in any form are expended. The only serions argument of Mr. George's authorities is that India is so poor that she cannot afford even the moderate taxation to which she is subjected; but how does this go to prove that her soil is rich enough to support an indefinite increase of population, if only this moderate taxation were remitted? How does it support Mr. George's contention that "the millions of India have bowed their necks beneath the yoke of many conquerors, but worst of all is the steady, grinding weight of English domination, a weight which is literally crushing millions out of existence?"

Mr. George says the case of China is similar to that of India, so it need not be gone into in detail.

Mr. George appends to his discussion of these cases a much-needed caution:

"Let me be understood. I do not mean that India or China could with a more highly-developed civilization maintain a larger population, for to this any Malthusian would agree . . . what I say is that . . . nowhere can want be properly attributed to the pressure of population against the power to procure subsistence."

Certainly not, if before admitting this you must find a country absolutely untaxed, and without any obligations between one class and another. One of Mr. George's own authorities, MacCulloch, could have told him that where there is a margin of means and energy, taxes, by exciting additional energy, often increase capital and resources. But if the whole exertions of a community are exhausted in providing a scanty maintenance, surely that is enough to show that, with its actual skill, its resources are inadequate.

If the exertions of a population of nearly 200,000,000 cannot provide a surplus of £20,000,000 to spend, whether at home or abroad, how are we to believe that they could provide for a growth of, say, two per cent. on the population?

The case Mr. George presents in relation to Ireland is precisely similar to that which he gives for India, except that his charges, which are equally reckless, are brought, not against the Government, but against the landlords. Here, again, MacCulloch would have informed Mr. George that whether money actually earned is spent in or out of the country in which it is earned, is to that country a matter of indifference. This may be an extreme view, but it

is much nearer the truth than Mr. George's inflated account of the ruin wrought by absenteeism.

A landlord cannot take out of a country more than the proportion of rent which he uses out of the country. If any of his dependents remain in the country, their maintenance must remain with them. But what he takes away is not the maintenance of any class, not his dependents, who remain in the country. It is his own maintenance, and that of his dependents whom he has taken out of the country, or who never were there, and would still be spent on them were he to bring them into the country.

I do not wish to go into the details as to the case of Ireland, as it involves political controversies of too recent a date; but for the purposes of Mr. George's argument it may be summarily disposed of. Whether Ireland has been rack-rented or not, it is certain that rents there have in general been much lower than in England. If this is assumed to prove that the country is in the actual state of industrial skill and organization much less productive, the case is disposed of. If it is asserted that there is an indefinite margin of productiveness for the support of additional population, why is there not margin enough to support a small number of landlords at a moderate rent ?

BOOK I. CHAPTER IV.

The Problem of Population Viewed in the Light of Analogy.

We now enter upon a more pleasing scene. Mr. George's third chapter is entitled "Inferences from Analogy." Analogy is a thing with which scientific writers are very chary of dealing, and the less they have to do with it the better. But whatever qualities as a scientific writer Mr. George may possess, we have found that these are not the qualities he has chosen to bestow on the subject of population. In the wider sphere which analogy opens to the imaginative faculties we shall find him more at home.

So far as we have gone, Mr. George's position in relation to the problem of population, as inferred from his criticisms of the Malthusian theory, might be supposed to be this: "Vice and misery are never due to privations caused by the pressure of population upon resources. There is always some intervening obstacle which hinders prosperity and

restrains the growth of population." But inasmuch as this obstacle, on Mr. George's own admission, does produce privation, the distance from privation by actual pressure upon resources is to be measured by the extent of the obstacle. This, therefore, like the majority of the objections brought against the Malthusian theory, is not a denial, but a re-statement of that theory. Notwithstanding the lucidity of his style, however, Mr. George's expressions are either a very uncertain index to his meanings, or his meaning one thing does not hinder his meaning another, which is entirely inconsistent with it. Accordingly, we have now to deal with objections set in a much higher key.

"The strength of the reproductive force in the animal and vegetable kingdoms . . . is constantly cited from Malthus down to the present day as showing that population likewise tends to press against subsistence, and when unrestrained by other means, its natural increase must necessarily result in such low wages and want . . . as will keep it within the limits of subsistence.

"But is this analogy valid? It is from the vegetable and animal kingdom that man's food is drawn, and hence the greater strength of the reproductive force in the vegetable and animal kingdoms than in man simply proves the power of subsistence to increase faster than population."

Here follows a rhapsody, which I refrain to quote, as the assumptions involved in it reappear subsequently. The following sentence, which stands in the middle of a paragraph, may be taken as a

summary of it: "Of all living things man is the only one who can give play to reproductive powers more powerful than his own, which supply him with food."*

A bracing prospect, truly; but what does it imply? Animals and vegetables press against the limits of subsistence, and the supply of them is, therefore, limited; but man does not press against the limits of subsistence, because he can eat this limited supply. Cattle grow faster than men; but do they multiply without occupying more land? Or if men grow corn, will the supply continue to increase without taking in more acres? Let us follow Mr. George in a single application of this argument. "If bears instead of men had been shipped from Europe to the North American Continent, there would now be no more bears than in the time of Columbus, and possibly fewer; for bear food would not have been increased nor the conditions of bear life extended by the bear immigration, but probably the reverse. But within the limits of the United States alone, there are now forty-five millions of men where there were only a few hundred thousand, and yet there is now

* In the article quoted in a note to last chapter, I have thus noticed this argument: "Malthus's theory of the ratio between human powers of reproduction and the increase of the means of subsistence has, indeed, been questioned. It is frequently called exaggerated by those who assign no reason for doing so, but a form of argument used in reply to it is that animal growth is slower than vegetable, and that man being one of the most slowly-developed animals, his growth is among the slowest of those of organized beings, and that his increase must, therefore, be slower than that of his means of subsistence. If one corn would suffice for one human being until another corn was grown, there would be abundant force in this argument until the world was so full of human beings that there was not room for a corn for each of them; but as each human being requires many corns, each must have a certain amount of space to grow them in; and if the growth of corn itself is limited by the area of fertile land, that of human beings must be much more so."

within that territory much more food *per capita* for the forty-five millions than there was then for the few hundred thousands. It is not the increase of food that has caused the increase of men, but the increase of men that has brought the increase of food. There is more food simply because there are more men."

The 45,000,000 of America are rather a perilous subject for Mr. George to handle. Does he think the ancestors of these 45,000,000 would have produced 45,000,000 had they remained in Europe, and if not, why not? If the population of Europe cannot expand so rapidly as that of America, what is that but a pressure of population on resources? And why did the few hundred thousands previously in America not grow to 45,000,000? Clearly because, according to their industrial arts, America was full of them. But although, according to their different capacities, America may have been full of bears or uncivilized men, it was not full of civilized men. Does that prove that the capacity of civilized men is inexhaustible? Was it not rather because, according to the then prevailing state of industrial art Europe was full to overflowing of them that she sent her surplus to America?

Mr. George, however, admits a limit to the growth of man, or rather he seems to admit one, for we shall find this limit, like the one we inferred from the arguments of last chapter, speedily disappear under the growing light of analogy.

"While all through the vegetable and animal kingdoms, the limit of subsistence is independent of

the thing subsisted, with man the limit of subsistence is, within the final limits of air, water, and sunshine, dependent upon man himself. . . . While vegetables and animals do press against the limits of subsistence, man cannot press against the limits of his subsistence, until the limits of the globe are reached. Observe this is not merely true of the whole, but of all the parts. . . . The limit of subsistence in any particular place is not the physical limit of that place, but the physical limit of the globe."

Mr. George has already forgotten the concession he made to Malthusianism at the close of last chapter. He assumes not only the indefinite expansion of human capacity, but the availability of every part of the earth to every other without regard to conditions of time or space. On this principle Mr. George might argue that Europe was not fully peopled at the time of the discovery of America, because it was within the capacity of Europeans to discover America. This is not an answer to the Malthusian theory, but a misconception of it. It is, in a more extravagant form, the same misconception that has been noticed in the introductory chapter as having been held by Professor Dugald Stewart. England is at present more densely peopled than previously, because a large part of its population is fed on American corn. We may imagine it possible that the population not only of England, but of Europe, may yet be doubled from the same source. But as the population of America increases, will not her surplus supply of food ultimately diminish, and will England or Europe then be able to maintain such an exotic population?

Mr. George follows the enumeration of this principle with one of the numerous illustrations which seem chiefly designed to show how feeble is his grasp of the most elementary economic principles. "Fifty square miles of soil will, in the present state of the productive arts, yield subsistence for only some thousands of people, but on the fifty square miles which comprise the city of London, some three-and-a-half milions of people are maintained, and subsistence increases as population increases. So far as the limit of subsistence is concerned, London may grow to a population of a hundred millions, or a thousand millions, for she draws for subsistence upon the whole globe, and the limit which subsistence sets to her growth in population is the limit of the globe to furnish food for its inhabitants."

Is the globe, uninhabited, to feed London? If not, we must at least deduct from its capabilities the food of its cultivators. Next, we must assume that the whole world outside of London abstains from any other occupation than that of cultivating the soil for the use of London. "In the present state of the productive arts," if the inhabitants of 50 square miles consume the produce of 100 square miles, fully cultivated, there must, assuming the 50 square miles themselves to be cultivated, be somewhere 100 fully cultivated square miles whose inhabitants consume only the produce of 50. Again, if London draws by commerce upon the resources of the whole globe, so do Paris, St. Petersburg, Constantinople, New York, Calcutta, Liverpool, Glasgow, Manchester, and many other rivals near and far. Each

has its own sphere of attraction, but what one draws the others do not draw. If each of these were to reach 1,000,000,000, is it not just possible that there might be a strain upon the actually developed resources of the globe "in the present state of the industrial arts?" It is, of course, certain that the size of each is at present determined by conditions of local and other advantages and drawbacks, among which the competition of the others is comprised, that is to say, the population of each is exactly what the development of resources permits it to be, which is another way of saying that in each of them population is always pressing upon resources. All Mr. George has to reply to this is, that the population might be larger if some obstruction were removed, which, as he himself admits, no Malthusian has denied. Mr. George appears incapable of conceiving of the operation of a natural law unless it works *in vacuo*, but in assuming that the supporters of the Malthusian theory are bound to maintain that there is no other economic force in existence but that of reproduction, he is simply fighting the shadow of his own ideas.

Mr. George next deals with an argument which can scarcely be called analogical. It is in fact the fundamental position of the theory he assails; that which affirms the limited productiveness of the soil. We must, however, be thankful that Mr. George has not overlooked this essential point altogether; for what he has to say on it is more wonderful than anything he has yet said.

"That man cannot exhaust or lessen the powers

of nature follows from the indestructibility of matter, and the persistence of force. Production and consumption are only relative terms. Speaking absolutely man neither produces nor consumes. . . . What we draw from a limited extent of land may temporarily reduce the productiveness of that land, because the return may be to other land, or may be divided between that land and other land, or perhaps all land; but this possibility lessens with increasing area, and ceases where the whole globe is considered. That the earth could maintain a thousand billions of people as easily as a thousand millions is a necessary deduction from the manifest truths that, at least so far as our agency is concerned, matter is eternal, and force must for ever continue to act."

Mr. George seems greatly refreshed whenever he gets into this high vein of scientific reasoning. The reader would do well to peruse the whole passage from which I have made this extract. While Mr. George's eloquence seems to inflame himself, and carry him to higher and still higher flights, the unimaginative listener, standing on the sober ground of reason, gets carried away in another fashion, and dreams of high-toned nasal oratory addressed from an improvised stump platform to an admiring crowd of shrewd, half-educated citizens of the great republic of the West. The reader will now have some conception how admirably, when Mr. George begins to reason on technical points of economical doctrine after the manner of Ricardo, he parodies his sober-brained master.

The thousand billions, of which Mr. George speaks, unless there is some peculiar virtue in that amount, must be taken to mean an infinite number, for when we had got the thousand billions, the same argument would apply to a thousand trillions, and so on. We have no longer need, then, even for standing room, and the limits of earth, air, &c., disappear. Hereupon Mr. George begins to moralise: "The human being, physically considered, is but a transient form of matter, a changing mode of motion. The matter remains, and the force subsists. Nothing is lessened, nothing is weakened."

True and beautiful; but while man persists he occupies a certain portion of the limited space and matter of the globe, so that to make his growth infinite is a process of infinite succession. What Mr. George says about the capacity of land shows not that it is capable of indefinite increase, but that it is incapable of any increase whatsoever. Its limits have been fixed from the first, and all that men can do is to move up to them. The simple question of fact is, whether, in doing this approximately in particular districts, they find inconvenience from the restraint which these limits actually impose upon their growth.

Rivers, with or without the assistance of man, carry much soil and manure to the sea. It is questionable if it returns in time for continuous use; but assuming the cycle to be as complete as we shall find Mr. George's commercial cycle to be, it results not in increased, but simply in undiminished productiveness. When we increase

the productiveness of a particular soil, what do we commonly do? We bring something to it from somewhere else. As cultivation extends this will be limited to a mere exchange, or favourable distribution of the productive elements, as no one piece of land can gain any of these which another does not lose. We have thus an insurmountable maximum of fertility, and Malthus's indefinite increase is shown to be a too liberal limit. So much Mr. George seems to have succeeded in proving.

Let us pause now for a moment, and consider where we find ourselves. Man on this earth is limited only by elbow-room, a limit which Mr. George somewhat superfluously admits. His subsistence increases more rapidly than himself; his growth anywhere is restrained by no local limitation; not only are the resources of the earth at his command wherever he chooses to go, but commerce will bring them to him if he chooses to remain where he is. All these positions we have found established, and they surely contain as full a contradiction of the Malthusian position as we need desire. But how are we to reconcile these conclusions with the arguments of last chapter? How, in a country like India, where it is acknowledged there is law, order, and personal liberty, where there is a naturally rich soil, and a large industrial population, where the most enterprising commercial nation in the world is striving to open up to the country the full advantages of the world's commerce, how is such a country kept in grinding poverty by the mere taxation necessary for the support of its

admittedly good government? The answer naturally is that, though India might support a larger population, if her people were industrially better educated and organized, her population, through the blessings of peace and liberty which it enjoys, is pressing heavily on the actual development of its resources. And when we go to England, with far higher resources of education and organization, and find over-crowding in her large towns, and emigration in her country districts, we conclude that she too is pressing on her resources. Does not this go far to establish a general law?

It is difficult to imagine that such a powerful reasoner as Mr. George should have given way to rhetorical exaggeration; but if we are to reconcile the views of this and the preceding chapter, we must discard as superfluous and embarrassing one of the most cherished results of Mr. George's analogical investigations. We must relinquish the notion that man's subsistence increases more rapidly than himself, else why should savages not increase as rapidly as civilized men, or why should trifling burdens check the growth even of the latter? We must sorrowfully resume our belief in the primeval curse that man must eat his bread by the sweat of his brow. Next we must allow to the earth a measured growth in fertility. Then Mr. George's arguments from facts and analogies, or rather from historical facts and natural conditions, may be made to harmonize. We must suppose that a given amount of labour is needed to get a minimum result from the cultivation of the soil;

but that equal increments of labour will always, and not only up to a given limit of fertility, yield equal increments of produce; yet that no improvements either on the productiveness of labour, or the fertility of the soil, would cause them to yield more. What would result from these conditions? Say that the labour of ten men upon ten acres will provide subsistence for fifty inhabitants. It is clear that if by the exactions of landlords or of Government each agricultural labourer is required to provide subsistence for six persons, there is no way, except by a burdensome addition to labour, of complying with the requisition, and the whole labouring population will be oppressed. But as the fertility of the soil is only limited by the quantity of labour bestowed on it, it is clear that it is superfluous for ten men to work ten acres. They will produce exactly the same amount by bestowing their labour on one acre. Not only so; but if there were only standing room for the labourers, the whole globe could be fed on the produce of one acre. This satisfies Mr. George's conditions; but we must farther suppose that this measuredly beneficent law of nature is one of those which have hitherto remained undiscovered. Mr. George himself appears not to have perceived its full consequences. It entirely supersedes his method of dealing with landlords, as well as his suggested dependence on commerce. For as soon as it is discovered that the smallest quantity of land that will provide elbow-room for labourers will supply the wants of the largest community, nobody will pay

agricultural rent at all; and landlords will be improved off the face of the earth. And as an acre or two will suffice to feed the population of London, it will no longer require to import anything but luxuries. Even the trade between town and country will be abolished, for each town will suffice for itself.

So far, Mr. George has left himself no alternative between this and Malthus; but Mr. George appears to have set himself the task of opposing Malthus from every point of view; and as there is a way of denying the theory of population directly opposite and contradictory to that which he has hitherto adopted, he does not scruple, lest his present position should fail, to take it up himself.

Thus far we have found that there is for man, hitherto straitened, notwithstanding his intuitive knowledge of natural law, by his own ignorance, unlimited abundance upon the earth; we are now to find to our surprise that man has no disposition to avail himself of the riches which are thus placed at his command. Alas, poor Malthus! how utterly you are baffled. Like the unfortunate litigant opposed to an Irish counsel, who had to defend his client against the charge of having broken a borrowed utensil, your case is met by a three-fold answer, any alternative of which is ruinous to you. "In the first place, my lord," said the learned counsel, whose pleading Mr. George seems to have borrowed, "the article was broken when my client borrowed it," (plea of Chap. II); "in the second place, it was whole when he returned it," (first plea

of Chap. III); "and, in the third place, he never borrowed it at all" (Second plea of Chap. III).

Mr. George winds up the first "analogical" plea in these emphatic terms: "Now this limitation of space, this danger that the human race may increase beyond the possibility of finding elbow-room, is so far off as to have for us no more practical interest than the recurrence of the glacial period, or the final extinguishment of the sun," and in the same paragraph he begins to introduce his third alternative, which is conveyed in his habitual tone of lofty, philosophical sentiment. I must make my extracts as brief as possible.

"No sooner are his (man's) animal wants supplied than new wants arise. . . . The man has set his feet on the first step of an infinite progression. . . . Out upon nature, in upon himself, back through the mists that shroud the past, turns the restless desire that arises when the animal wants slumber in satisfaction. Is not the gulf too wide for analogy to span? Give more food, open fuller conditions of life, and the vegetable or animal can but multiply; the man will develop."

The conclusion to a long train of such reasoning is as follows: "that, besides the positive and prudential checks of Malthus, there is a third check which comes into play with the elevation of the standard of comfort and the development of the intellect, is pointed to by many well-known facts. The proportion of births is notoriously greater, in new settlements, where the struggle with nature leaves little opportunity for intellectual life, and among the

poverty-bound classes of older countries, who in the midst of wealth are deprived of all its advantages, and reduced to all but an animal existence, than it is among the classes to whom the increase of wealth has brought independence, leisure, comfort, and a fuller and more varied life. This fact, long recognized in the homely adage, "a rich man for luck, and a poor man for children," was noted by Adam Smith, who says it is not uncommon to find a poor, half-starved, Highland woman who has been the mother of twenty-three or twenty-four children, and is everywhere so clearly perceptible that it is only necessary to allude to it.

I confess I have been disappointed with the conclusion drawn in this passage, which Mr. George has prefaced with a statement that even the limit of space is a shadow, and with a promise that it shall disappear, and which is also preceded by the following remarkable figure: "He (man) is the mythic tree, whose roots are in the ground, but whose topmost branches may blossom in the heavens." I was in hopes that man would be allowed, with the progress of science, to people other planets, and other solar systems. Perhaps Mr. George may think of this in a new edition.

For the conclusion, "so clearly perceptible that it is only necessary to allude to it," Mr. George gives no other evidence than that adduced. This conclusion includes these remarkable conditions: that population tends to grow rapidly among new populations and the poorer classes in old countries; but that among the higher and more cultivated classes

in the latter it reaches a point at which it stops increasing altogether, irrespective of any exercise of restraint among these classes of sexual passion. Mr. George has done well to refrain from producing evidence in favour of this position, for there is none to produce. That culture tends to restrain passion is undoubted; but that without restraint the cultured classes are deficient either in sexual passion or reproductive powers is directly contrary to all evidence. Whether a half-starved woman may produce more children than a well-fed one, is not worth discussing as long as we know that the one has power enough to produce the other.

It is a curious circumstance that even this clenching argument, which Mr. George introduces with such parade of gorgeous illustration, is so destitute of originality as to be actually older than Malthus himself. Dugald Stewart, in his "Lectures on Political Economy," Part I., Book I., Chapter II., says: "It (the Malthusian theory) was clearly perceived in its full force by Godwin when he had recourse, in order to solve the difficulty, to the most paradoxical of all his hypotheses—that in consequence of the intellectual and moral improvement of man, the passion between the sexes will be gradually extinguished, and that while the period of human life will, in the case of individuals, be indefinitely prolonged, the species will cease to propagate."

Mr. George's opposition to Malthus appears now to be narrowed down to the one point of implacable opposition to prudential restraint, and this is no doubt the true objective of his polemic. Show in

any way that the depressed millions are depressed from some cause beyond their own control; charge their misery on landlords or governments, and show that in order to remove it no sacrifice or effort will be needed on their part, and Mr. George will be satisfied. This is the common creed of the demagogue, and this is what Mr. George represents in political economy. So highly mistaken is Mr. Malloch in crediting him with Conservative instincts.

I shall conclude this chapter by giving one of Mr. George's illustrations in support of his last argument as a specimen of one species of this kind of argument in which he is remarkably prolific:—

"It (the theory of population) is as unfounded, if not as grotesque, as an assumption we can imagine Adam might have made had he been of an arithmetical turn of mind, and figured on the growth of his first baby from the rate of its early months. From the fact that at birth it weighed ten pounds, and at eight months thereafter twenty pounds, he might, with the arithmetical knowledge which some sages have supposed him to possess, have cyphered out a result quite as striking as that of Malthus, namely, that by the time it got to be ten years old it would be as heavy as an ox; at twelve, as heavy as an elephant; and at thirty would weigh no less than 175,716,339,548 pounds.

"The fact is there is no more reason for us to trouble ourselves about the pressure of population upon subsistence than there was for Adam to worry himself about the rapid growth of his baby."

Mr. Herbert Spencer has thought it worth while

o inquire what are the physical laws by which ınimal growth is limited, and the general principle ›f limitation he deduces is analogous to the law of ›opulation apart from prudential checks, that is to ıay, to the law in as far as it is common to man ıvith plants and lower animals. If Mr. George's ›onclusions were sound, we need not trouble our-ıelves about any difference between ourselves and ›eings governed wholly or chiefly by physical law.

BOOK I. CHAPTER V.

The Facts Against the Malthusian Theory.

Mr. George entitles his fourth chapter, "Disproof of the Malthusian theory," and in it proposes to bring the theory "to the supreme and final test of facts." He begins it with a fairly accurate statement of the physical basis of the theory. "The accepted theory is that the more that is required from Nature, the less generously does she respond, so that doubling the application of labour will not double the product; and hence increase of population must tend to reduce wages and deepen poverty, or, in the phrase of Malthus, must result in vice and misery."

The only exceptions to be taken to this statement are that in the first clause the word "freely" should be substituted for "generously," which contains a gratuitous assumption; and in the second, the word "excessive" should precede increase.

He quotes a long passage from John Stuart Mill, of which the pith is contained in the statement:

"The niggardliness of nature, not the injustice of society, is the cause of the penalty attached to over-population. An unjust distribution of wealth does not aggravate the evil, but, at most, causes it to be somewhat earlier felt."

He proceeds: "All this I deny. I assert that the very reverse of these propositions is true. I assert that in any given state of civilization a greater number of people can collectively be better provided for than a smaller. I assert that the injustice of society, not the niggardliness of nature, is the cause of the want and misery which the current theory attributes to over-population."

How is it possible to reconcile this statement with itself, or with what Mr. George has hitherto said? If in any given state of civilization a greater number can be provided for better than a smaller, then the mere increase of numbers is, as far as industry is concerned, a substitute for civilization, and that without limit. Why, then, did the savages in America not become as numerous as their civilized successors? Why do the growing numbers in India not extinguish the evils of taxation? Or, why did Ireland not become more prosperous when her population reached eight millions? "Because," it is answered above, "of the injustice of society." And what is this injustice of society but a given state of civilization? If the above statement is true, moreover, surely instead of adding a "culture check" to the two checks on population already prescribed by Malthus, we may dispense with such checks altogether. So un-

qualified is the proposition, indeed, that it makes it obligatory on Mr. George to show that increase of population alone will carry us to the stars.

Here we may fairly ask, What is the name of the animal that Mr. George rides against "Malthusian"? "Unlimited resources" with "Culture Check" as jockey makes a badly-assorted pair. The claim of the latter to his mount has already been disposed of; but we have to take another look at the animal itself. In proof of his powers, Mr. George lays down the following proposition:—

"The power of producing wealth in any form is the power of producing subsistence."

Is this so in any state of civilization? Certainly not. It is so, if at all, only on the assumption that civilization is abandoned, and that every man turns his attention directly to producing, or rather seeking, food.

Mr. George continues:—

"Does the relative power of producing wealth decrease with the increase of population? . . . We have in modern times seen many communities advance in population. Have they not at the same time advanced even more rapidly in wealth?"

We have here a curious jumble of ideas. Yet it is not uninstructive, for similar arguments have often been advanced by economists under a soberer and, therefore, more plausible guise, as, for example, by John Stuart Mill in arguing in favour of the indefinite utility of capital in his chapter on the fundamental propositions on capital.

What Mr. George has actually observed is, that increase of organization, not of population merely,

has increased aggregate wealth. But what does this advanced organization imply? It implies, among other things, variety of occupations, variety of skill, and disparity of wealth. Mr. George wishes to have the same resources applied to one occupation, or, at all events, to a class of occupations, so restricted that it is impossible that it could ever give rise to the superior skill to which the increased production is due; and he wishes to have the produce applied not according to the value of the contributions made to its acquisition, but according to the wants of the contributors.

As a crucial case, Mr. George selects California, because there wages have fallen while population has increased. He generalizes the result of his argument in this illustration:—

"The richest countries are not those where nature is most prolific, but those where labour is most efficient. . . . Accumulated wealth seems to play just about such a part in relation to the social organism as accumulated nutriment does to the physical organism. . . . The denser the population, the more minute becomes the sub-division of labour, the greater the economies of production and distribution."

This, condensed but undiminished, is the sum total of the positive evidence brought forward to overthrow the Malthusian theory. Surely, a more poverty-stricken case was never presented, and certainly the strongest case was never put with more self-confidence and affected parade of knowledge and discernment.

No one denies that aggregate wealth is greatest in the most civilized and densely peopled countries. What does that prove as to the simple fact whether there is or is not a limit to the productiveness of their soil? And if there is such a limit, will it not operate equally whether a tenth or the whole of the aggregate labour of the community is given to the cultivation of the soil? *

The physical wealth of modern Europe is due to the vast labour-saving appliances resulting from the great scientific discoveries and mechanical inventions of the last two or three centuries. The effects of these in increasing the productiveness of labour are not yet exhausted; but as each advance is made population steadily follows in its wake, and comes again to press upon the limit permitted by the actual organization of industry to each class of the community. This is the true form of the problem, which Mr. George and many more economical reformers have never apprehended. Even if we were to suppose the course of scientific invention to be, as Mr. George imagines the resource of division of labour to be, inexhaustible, we might still anticipate from the same industrial organization the same re-

* That it is to growth of organization and not to mere increase of numbers that increased productiveness is due, is obvious. Unless we admit the absurd supposition that the whole world can be supplied from the produce of an acre, there must be a limit to the productiveness of the soil somewhere. But if there is a limit, what we have to do with is not a hypothetical limit determined by conceivable improvements, but the actual limit immediately attainable. Up to this limit, growth of population may contribute to growth of organization; but if it is passed, organization must retrograde. If at the maximum of productiveness one cultivator can provide for ten persons, when the margin is passed a certain stage one will only be able to provide for nine, and at another stage for eight. Thus the resources of distribution of labour and of organization will steadily diminish if population grows more rapidly than improvement in industrial art.

sults as we have experienced in the past. Mr. George, as we shall subsequently see, actually does make this assumption, which is tantamount to the abolition of labour altogether. But, as I have formerly pointed out,* we have already reached the practical limit of the utility of division of labour; the advantages of commerce admit only of a limited expansion; the fertility of the soil soon reaches a maximum except in economy of labour, and even invention is evidently subject itself to the law of limitation, as no machines will ever work without human care. When we consider all the advantages we have derived from the steam-engine, we may well believe that no similar addition will ever be made to our powers; and in like manner, if we take our inventions and discoveries in the aggregate, we shall also find that though much still remains to be done fully to utilize them, the prospect of any equally fruitful cycle of improvement in the future is a faint one.

* In 'The Economy of Consumption,' Part I, Book 4, Chap. 4.

BOOK I. CHAPTER VI.

The Application of the Theory of Population.

I have, perhaps, dwelt long enough on the problem of population, but it is of such vital importance to economic science, and the established theory of it is so ill apprehended even by most of those who profess unhesitatingly to receive it; it is also, I may add, so habitually ignored in practical economical schemes and discussions, that I wish to make a few concluding remarks upon its relations to other economic doctrines.

There are various indications in Malthus's book that he apprehended rightly the tendency or direction of the conclusions to which his theory should give rise; but Malthus had no other stand-point in economic doctrine than the theory of Adam Smith. His notion of the science, like that of Smith himself, was that of an inquiry into the nature and origin (or causes) of the wealth of nations, and, more explicitly than Adam Smith, he defined wealth as consisting in material commodities. Now, I hold that

such a theory of wealth is not consistent with the theory of population, and, that upon such a basis, no possible science can be founded.

In criticising the definitions of MacCulloch, Malthus has pointed out a difficulty in giving a wider definition of wealth, which he regarded as insuperable: it is that if immaterial things that give pleasure or advantage are to be regarded as wealth, no bounds can be set to the science of economy, which will expand to the utmost limits of human knowledge, and be susceptible of systematic treatment only in the form of an encyclopædia.

Now, that this error of giving a logical expansion to the science beyond what is designed, or can be exemplified, and so of exposing its reasoning to the charge of incompleteness and uncertainty, has been common with those who have tried to enlarge the scope of the science, and especially so since the days of Malthus, is certain. But there is a worse error than this. It is that of cutting off a part of human nature from the whole, and reasoning on it exclusively. This is the error that has been committed by Adam Smith, accepted by Malthus, and practised by the followers of Smith, whether of the Malthusian or Ricardian sections, to this day.

Even those who have endeavoured to avoid this error in definition, have seldom got much beyond it in practice or in spirit. With respect to definition, the best attempt I am acquainted with to set a definite limit to the science is that of MacCulloch and Henry Dunning MacLeod, who have tried to tie down the meaning of wealth by attaching to it the

condition, or element, of exchange value. I am afraid, however, that this attempt is only illusory. For what is exchange value when you have ceased to limit exchange to material objects? An exchange of ideas is surely of value as well as an exchange of material commodities. This difficulty is remarkably apparent in the scheme of Henry Dunning MacLeod, who has constructed a very elaborate and ingenious sytem of aërial, or ideal definitions, touching solid ground at this point only. Now it is evident that Mr. MacLeod has assumed in his own mind that one of the objects of exchange must be material, money, for example, and must form a standard for the other. But what right has Mr. MacLeod to this limitation? Let him only deal with the definition of exchange as he has dealt with his other definitions, and he will find his whole system go up in the air like an unattached balloon. Among other writers who have attempted, more or less, to base the definitions of political economy on the principles of idealistic philosophy, may be mentioned John Stuart Mill, Professor Jevons, and Professor Sidgwick. Upon this attempt it is sufficient to say that if idealism is true, it is at all events incoherent. No idealist, from Bishop Berkeley or David Hume downwards, has been able to speak or act in consistency with his theories. Whatever may be the value of idealism in philosophy, therefore, it is of no use in science.

The error which has commonly been committed by economists of all schools in attempting to limit the science, is the same as I shall have occasion to

notice as prevailing in the definition of terms: it is the same as I have already noticed as having been committed by Adam Smith, that of seeking for it a sphere of isolation. The impracticability of such a mode of delimitation is not peculiar to political economy. All human science is one; and every particular science is related to every other. How, then, are we to escape giving to any particular science an encyclopædic range? Not by absolute, but by relative definition.

If we assume that political economy has to do with wealth, it is certain that we cannot have a complete science even of material wealth by confining ourselves to material wealth alone. But it is desirable that political economy, as a practical science, should be confined to the lower round of human wants, to that round of wants which are ministered to by labour, that, in comparison with the free exercise of human faculties and functions, may be called servile, and which is commonly included in the term industrial.

How is this round of wants to be distinguished? I define them by the term physical, and I hold that what ministers to them is not merely material commodities, but a variety of services by which these commodities are applied to our use. This, then, is the sphere of political economy; but it is obvious that it is not an isolated one. If the subject of the science is said to be wealth, then I define wealth as physical well-being. I do not, however, regard an inquiry into the means of promoting wealth as, in any sense, a complete statement of the subject of

political economy. Physical wealth must be considered by it in relation to other interests: in other words, it must take account of the cost of acquiring it.

It is clear that all human knowledge ministers, or may minister, to physical well-being. It is also clear that physical well-being tends to promote the acquisition of knowledge. In these facts I recognize the relations of political economy to other sciences. To reserve to it a sphere of its own, I do not abolish these relations; I do this simply by declaring an order of preference.

Political economy has to do primarily with those things which more immediately minister to physical welfare in the supply of normal physical wants; that is to say, within the sphere known as industrial. Theoretically, it has to investigate the relations of these things, first with each other, and then with other human interests; practically it has to discover the means of improving these relations, whether internal or external.

By this mode of definition, although astronomy, geology, and other physical or mental sciences, may remain branches of political economy, they are kept at a respectful distance in the actual treatment of it.

Viewing political economy in this light, I regard the theory of population as its most elementary and fundamental doctrine. I hold that any theory of wealth established independently of this theory, unless by some extraordinary accident it should happen to be in perfect accord with it, is necessarily erroneous, and in this condemnation I include the doctrine of the entire school of Adam Smith.

The first attempt, that I am aware of, to base the theory of wealth directly upon the theory of population was made in my book, "The Economy of Consumption," published in 1878, which, on this very account, has been subjected to much hostile, and I must add, to much inappreciative and scandalously inaccurate criticism. What I am about in this chapter to do is to summarize some of the leading conclusions at which in that book I have arrived in regard to the application of the theory of population to the theory of wealth.

Mr. George is not altogether mistaken. He has failed to perceive that the law of population, like every other natural law, must operate under complex conditions; and he is entirely wrong in denying its operation altogether. He has, however, rightly discerned that there is something wrong in our industrial organization, and that, something unrecognized by, and unknown to, our systematic economists. From this it follows that, if the reasoning of our economists is sound, as, for the most part, I believe it to be, they must have reasoned from false premises.* Mr. George has, in some minor instances, rightly discerned where the falseness of the conclusions lies; but in his main issues with his opponents he is altogether astray; for, as I have shown, the premises on which he relies on the fundamental question of population are more remote from the truth than theirs.

* Wrong reasoning from wrong premises may lead to right conclusions; and sometimes does, because the reasoning has been arranged with a view to the conclusion; but right reasoning from wrong premises must lead to wrong conclusions.

In a note to the first chapter of "The Economy of Consumption," I say, "No attempt has been made either by Malthus himself, or any one else, that I am aware of, to bring the theory of population into a vital and practically operative union with the theory of wealth propounded by Smith, nor, I believe, will the attempt ever be successfully made until the theory of wealth has been revised. Malthus has supplied some hints, and Chalmers some arguments, directed towards its revision; but by neither has the work been effected, or, indeed, deliberately contemplated."

In Part I., Book IV., Chapter II., I say, "The distribution of population is to a considerable extent determined by the fertility or natural resources of the region populated. This might be called the fundamental law of population. There are, however, circumstances, or rather conditions, by which the operation of this law is materially modified. Although it does not affect the application of the law, it is a material circumstance that the original distribution of population has not been effected by selection, much less by selection founded on exact knowledge, but, as we may say, by chance. Another circumstance, or rather condition, of a more permanent kind, consists in a sort of principle of compensation established by nature herself, and which, though it directly affects labour, is a limit imposed upon labour by natural forces. It is that when the natural means of production require the greatest exertions to render them available, the natural conditions of life supply the greatest fund of

energy. . . . Until industry attains considerable organization, however, population proceeds pretty much on the lines established by facility of production; but as organization proceeds, these lines are left more and more behind by the leading organizers, and a strong tendency is ultimately developed to defy them altogether.

"The habits of human nature also exercise a powerful influence on the growth of population. Man is undoubtedly a migratory animal; but his migratory instinct is counterbalanced by a strong instinct of gregariousness, and perhaps also by attachment to locality. It is probably due to these counteractive influences, together with wars and natural jealousies, and to the fact that a large part of its surface has only recently been discovered, that the whole earth has not already been peopled up to the full limit of its known resources. Migration in a settled community is always the result of pressure; and when a community has acquired established habits and institutions, it will not only content itself with a slower expansion, but will suffer its growth to be checked by the severest forms of privation and disease, before it will disperse in search of wider quarters."

In the same Book, Chapter III, the nature of the limitation of natural agents is thus described:

"The limit imposed on cultivation by natural agents is not an absolute limit, coming suddenly into operation at a given point; but a limitative force always in operation, and opposing to each increase of exertion upon the same agents an

increase of resistance. Its mode of operation accordingly is to increase the hardness of labour relatively to productiveness."

It is in accordance with this definition that where a new agent, such as manure on a field, is introduced, labour should be reduced.

In the same chapter the variable effects of this limit are thus indicated:

"If the quantity of labour expended on raw material bore a constant ratio to the quantity of labour expended in other directions, the productiveness of this labour would form a constant measure of the possible remuneration of self-supporting labour in all directions. As, however, the proportion of the labour employed in preparing raw material to that employed in perfecting production, varies continually, the productiveness of the entire labour of production is the measure of the remuneration of the entire industry of the community. Without considering the effects, then, which a pressure upon the productiveness of natural agents may have on the whole distribution of industry, we cannot understand the working of the primary law of limitation."

On the comparative productivess of new and old countries, on which Mr. George writes with such confusion of ideas, I say, "In the new industrial organization contemporaneous with and dependent on the old, circumstances would be somewhat different.* The primary processes of industry, under favourable circumstances, would be more

* From the early stages of the original organisation.

productive, and the subsequent processes less productive than in the older communities; but as the products of the more developed industry of these communities would be placed by commerce at the disposal of the others, the industry of the new communities would probably on the whole be more productive."

This is in the earlier stage of commercial intercourse. I have also pointed out that an older community having an exceptional industrial organization, such as ours, depending on an earlier use of industrial appliances, might in the productiveness of its industry surpass all others, whether old or new. The natural tendency of commerce, however, is to reduce exceptional advantages on either side to an equality. It is further shown that the tendency of free competition between a new and an old country is towards abnormal developments of agriculture on the one hand, and of commerce on the other; and that these extremes are perilous to the industrial stability of both. This evil is only partially mitigated by the circumstance that at a comparatively early stage of industrial development, protection becomes the natural policy of the new country.

The action of competition upon the law of population in determining the condition of the labouring classes is thus described: "When labourers are encouraged to increase beyond the point up to which their labour can be rendered productive, one of two things must happen. If the excess of numbers is not great enough to force a change of

habits on the class, it will be eliminated, as the result of an unequal struggle, by natural agents of destruction; if it is great enough the habits of the class will be changed.

"In determining the condition of the labourer, custom, and the conditions of society are always the immediately prevalent forces. If these determine that the labourer should be properly housed and clad, and that his children should be educated, the labourer who cannot comply with these conditions will be warred against by natural forces, and eliminated from the industrial system, as surely as if what he had failed to provide were the barest necessaries of life. But the means of maintenance and reproduction are not a fixed limit. No one can say how far they can be carried in the descending scale. If population is insensibly carried on by the aggressive action of competition, neither these, nor any other conditions of acquired civilization will stand against it, or be able to prevent its gradually deteriorating the habits of labourers."

The effect of pressure of population on the organization of industry generally is thus described. "Is there any reason to believe that as industry approaches its final development, there will be any tendency to a better poising and equilibrium, to a more economical adjustment of its forces? I believe there is none. With, at most, a single exception, all the causes of perturbation will remain unaltered. There will be the same dependence of the many upon the few; the same fluctuations of crops and seasons; the same speculative

eagerness to take advantage of them for private gain; there will be the same periodical excesses of production; for if we suppose these limited in certain directions by the limitation of the supply of raw material, they cannot be equally limited in all; and the very eagerness to secure a supply of the necessarily limited commodities will give additional stimulus to production in other directions. The only difference will be the loss of the stimulus of an expanding industry; but as the character of natural limits will not be changed, the same efforts at expansion will be made, only with diminished results. Population repressed by natural agencies, will continue to fluctuate about its limits; capital will be expended in efforts to maintain or extend the productiveness of natural agents; and even if we make the extreme supposition that all communities have approached their limit at once, there will be illusive hopes of commercial advantage, and a probably intensified struggle to realize them."

* * * * * *

"The common impression, favoured by the ordinary teaching of economy, is that when a community approaches the limit of its natural resources, there will be something of the nature of an industrial crisis, or dead-lock, which will command attention from all quarters, and compel the most stringent measures to be taken to meet it. This view is convenient as well as natural, as it removes all application of Malthusian doctrines into the remote distance. If economists do not share to the

full extent the vulgar prejudice, they at all events encourage it by parallel expectations of signs in the heaven of economy. There is no ground for these expectations. The one simple phenomenon by which alone a pressure on material resources is ever indicated, is an increasing hardness in finding the means of subsistence to the unprovided classes of all kinds."

* * * * * *

"When the limit of a community's resources is reached, if we may suppose such a circumstance, there will, accordingly, be no change in the aspect or pursuits of society. Specifically that limit is the power of natural resources to yield to a definitely limited number* of labourers, whose own subsistence depends upon the success of their efforts, means of subsistence for the whole community. Then as now, there will be affluence and luxury contrasted with poverty and privation; then as now capital will be expanded unprofitably on misdirected efforts to extend the limits of production; and then as now, it will be re-collected at the expense of direct labour; then as now population will be prevented from exceeding the limits of productiveness by natural agents of destruction.

"What is this but to say that there is no other problem of population but that which is present, and has always been present with human society from its commencement? As soon as a community gets over the difficulty of finding population to

* Proportion.

organize its industry, it begins to suffer from over-population. The actual limits of population are determined by actual habits of industry and consumption. Neither of these is unchangeable; but neither is changed without effort and difficulty; and when population begins to press upon these limits, it is not in the power of individuals to alter either of them. Labour is a common enterprise, and must be carried on by common laws; and the arrangements of the social organization do not permit individuals materially to alter the habits of expenditure of their class. The individuals who cannot maintain these habits, unless supported by some external and eleemosynary means, are accordingly crushed and eliminated from the system. This is the problem of population; and the only circumstances which alter its aspects are the greater or less degrees of pressure to which, according to established habits, the exposed classes are subjected, and the prudential preparations, social or industrial, which are made to meet the emergency."

In the following chapter (IV.) of the same book, in discussing "the secondary law of limitation of production, or the law of the expansion of production under pressure," I have thus indicated the various stages of the problem:

"All animals to some extent resist the limits imposed upon them by nature; but the resistance of the lower animals is comparatively feeble, being deficient in coherence, intelligence and organization. It is mostly confined to migration, which being within the range of the intelligence of most animals,

is usually conducted with a sufficient amount of energy and skill. But the lower animals, when their resources do not suffice to meet the emergency suffer themselves to be passively destroyed by the natural forces which forbid their increase. Man resists with a greater and more far-reaching energy; and although often his means are less immediately adapted to his end than theirs, he finds in his intellectual nature greater and more enduring resources."

* * * * * *

"The general instinct by which men are moved like other animals to propagate their species irrespective of the means of support, which forms the basis of the whole problem, is sufficiently understood; but as there are many sections of human society, and those the most powerful, to whom this problem presents no inconvenience,* this would not suffice to explain a general direction of human energies to the task of providing for the growth of population. It has been noticed in last chapter that the interests of the most powerful classes, the organizers of industry, are engaged to promote the growth of population at least to the full limit of known resources. It has also been shown that the most wealthy and powerful portion of these classes, at least, has so little concern industrially in the misery and privation to which numbers pressing on the means of subsistence are

* I do not mean to say that this is true of all the members of any class, but of the most prosperous members of each.

exposed, that it actually profits by their existence in that condition. It is reasonable to expect, therefore, that while taking means to push population to the known limits of production, the zeal of this section of the community should become lukewarm when any considerable immediate sacrifice is involved in the question of giving this population additional comfort, and, accordingly, of affording it still farther means of increase. The exposed population itself is always interested in finding greater means of subsistence; but then its power is small in proportion to its poverty. Under these conditions, the first stage of the problem, that of poverty and pressure of the outside population on the means of subsistence, is commonly reached; and were these conditions permanent, that stage might never be passed. If the well-to-do classes could continue undisturbed by the sufferings of their inferiors, the barrier between them might continue wide enough. But, unfortunately, the lower classes will not continue to suffer quietly; nor are they able, if they were willing, to keep their misery to themselves. Two things, accordingly, happen when they are reduced to natural straits by the working of an organization based upon private interests. They become the dangerous classes, and as such excite the political interest of society; and they become the degraded classes, and by diffusing maladies, and disintegrating the strength of the community, excite its social interest. As the knowledge of those intimate relations of society becomes more diffused, the problem of the condition

of the lower classes gradually absorbs more attention, until it becomes the pet problem of society. . . . It is only, however, when by such combinations of circumstances the whole interest of society begins to be aroused in the problem of population, that the formidable nature of that problem begins to be discovered. . . . The condition which renders the problem inexhaustible by any efforts of development may thus be stated, that population immediately follows in the wake of these developments."

The various resources of emigration, free organization of home industry, and foreign commerce, are then examined, and shown to be successively exhaustible without touching even the form of the problem; and the fundamental principle is deduced which forms the point of departure between my practical inferences and those of the "orthodox" economy, that whatever may be the advantages of industrial development, that is, of the progress of wealth-giving organization, the solution of the first and greatest problem of economy does not rest therein. The solution required is a solution not for the final stage of industrial progress only, but for every stage of it; and, above all, for the present. That solution does, and can, lie only in adapting the growth of each community throughout all its classes to its resources, not in the vain effort to adapt its resources to its growth.

BOOK II. CHAPTER I.

MR. GEORGE'S INTRODUCTION: STATEMENT OF THE PROBLEM.

MR. GEORGE gives an introductory chapter to the statement of the problem with which he purposes to deal. The advantage of beginning with the theory of population will be seen in examining this chapter, from which it will now only be necessary to make some extracts.

"At the beginning of this marvellous era it was natural to expect, and it was expected, that labour-saving inventions would lighten the toil and improve the condition of the labourer; that the enormous increase in the power of producing wealth would make real poverty a thing of the past. Could a man of the last century, a Franklin, a Priestley, have seen a vision of the future. [Here follows the vision.] It would not have seemed like an inference farther than the vision went, it would have seemed as though he saw; and his heart would have leaped, and his nerves would have thrilled, as one who from a height

beholds just ahead of the thirst-stricken caravan the living gleam of rustling woods and the glint of laughing waters. Plainly, in the sight of the imagination, he would have beheld those new forces elevating society from its very foundations, lifting the very poorest above the possibility of want, exempting the very lowest from anxiety for the material needs of life; he would have seen those slaves of the lamp of knowledge taking on themselves the traditional curse, those muscles of iron and sinews of steel making the poorest labourer's life a holiday in which every high quality and noble impulse could have scope to grow."

Mr. George credits his seer with singular lack of knowledge of human nature in making him anticipate such a revolution from mere physical causes.

"It is true that disappointment has succeeded disappointment, and that discovery upon discovery, and invention after invention, have neither lessened the toil of those who need respite, nor brought plenty to the poor. But there have been so many things to which it seemed this failure could be laid, that up to our time the new faith has hardly weakened. We have better appreciated the difficulties to be overcome, but not the less trusted that the tendency of the times was to overcome them."

"Now, however, we are coming into collision with facts which there can be no mistaking. From all parts of the civilized world come complaints of industrial depression; of labour condemned to involuntary idleness; of capital massed and wasting; of pecuniary distress among business men; of want

and suffering and anxiety among the working classes." . . . "This state of things common to communities differing so widely in situation, in political institutions, in fiscal and financial systems, in density of population, and in social organization can hardly be accounted for by local causes."

Mr. George's object being to cast the blame upon the land system, he omits to say that these various communities also differ widely in their land systems.

"That there is a common cause, and that it is either what we call material progress, or something closely connected with material progress, becomes more than an inference when it is noted that the phenomena we class together, and speak of as industrial depression, are but intensifications of phenomena which always accompany material progress, and which show themselves most clearly and strongly as material progress goes on. Where the conditions to which material progress everywhere tends are most fully realized, that is to say, where population is densest, wealth greatest, and the machinery of production and exchange most highly developed, we find the deepest poverty, the sharpest struggle for existence, and the most enforced idleness."

"Go into one of the new communities where Anglo-Saxon vigour is just beginning the race of progress; where the machinery of production and exchange is yet rude and inefficient; where the increment of wealth is not yet great enough to enable any class to live in ease and luxury; where the best

house is but a cabin of logs or a cloth and paper shanty, and the richest man is forced to work daily, and though you will find an absence of wealth and all its concomitants, you will find no beggars. There is no luxury, but there is no destitution."

The picture in the former paragraph has been charged with exaggeration. If it is looked at merely as a historical picture, it is undoubtedly exaggerated; but if taken as an account of the tendencies of the progress of industrial organization in the most advanced communities, it will be found that while all its features have been to some extent produced, the causes which have produced them are continually at work, while many of the circumstances which have hitherto contributed to modify them are of a temporary nature. In this sense, then, it can hardly be considered exaggerated. It may farther be noted that although private property, whether in land or moveables, is found in the stage of progress to which Mr. George refers as peculiarly exhibiting the evils he deplores; it is not distinctive of that stage alone. It is found also in that stage to which Mr. George refers as most free from these evils. It is, in fact, the basis of industrial progress in all civilized communities. There is another thing which is also associated with material progress, and with the principle of private property; but which, as industrial organization grows, grows with it in volume, energy, and in the complexity of its operations. That thing is competition. In looking for a cause of the tendency of advanced organization to engender poverty, this

growth of competition must not be forgotten. It may be that the source of the evils of the industrial organization is not something distinct from, but is identical with the source of its triumphs.

The explanation of the absence of poverty in the case referred to in the last paragraph quoted is extremely simple, and has nothing to do with the cause Mr. George imagines. It is that the exchanges of labour and the produce of labour are so restricted that the work of men is chiefly directed to the supply of their own wants, and it rests with themselves to secure its adequacy. Rent or taxes such as could possibly arise in a new community could not materially affect the result, and competition has not yet arisen in its might to carry the produce of their labour to the east and bring them the returns from the west.

This is in brief the problem stated by Mr. George. I omit some details in which he repeats and enforces his ideas, but the essential feature of all is that poverty is found accompanying progress, and the growth of aggregate wealth. Of this it is that he says, "I propose in the following pages to solve by the methods of political economy the great problem I have outlined."

BOOK II. CHAPTER II.

The Current Doctrine of Wages.

Mr. George's first book is on "Wages and Capital," the relations between which form, as I have said, one of the most complex questions in political economy. In the first chapter he undertakes to show the "insufficiency" of the current doctrine of wages.

"The cause," he says, "which produces poverty in the midst of advancing wealth is evidently the same which exhibits itself in the tendency, everywhere recognized, of wages to a minimum."

Already we find the inconvenience of plunging at once into a question of such complexity. That there is an apparent downward tendency of wages may be admitted on the ground of observation, although uninterpreted evidence will not be found uniformly to support it. But it will not be found upon investigation, although it may on *a priori* grounds seem natural to assume, that this tendency results from a single cause. Not only are there

distinct causes; but although the results actually blend, these are naturally as different in direction as in origin. One of the causes is the law of population, which Mr. George, as we have seen, denies. The operation of this cause is as follows: As long as labour, whether on the labourer's own account, or on account of an employer, can be made productive of a maintenance, that is, the means of providing for a family, labourers will be found to give that labour. It consequently follows that if labour will always be done that yields only a maintenance, the labour that receives least remuneration will seldom, and that only exceptionally, earn more than a maintenance. This law is not an evil. It simply means that natural resources are fully utilized for the good of man.

The other cause is this: Competition, taking advantage of the willingness of labourers to work for a maintenance, organizes enterprises in anticipation of the natural growth of industrial development, and which ultimately fail to yield a maintenance to those engaged in them. This is the natural tendency of competition. It constantly pushes its enterprises in advance of normal development, and is only arrested in doing so by the failure of its enterprises, in the form of cessation of profit, and consequent failure of capital. This is an evil to capitalists and labourers alike. It is the great specific evil of the competitive organization of industry. One difference in the direction of these specific forms of depression, arising out of the difference of the causes themselves, deserves to be

noted. In a complex organization of industry there are a great many grades of skill, and these naturally claim different degrees of remuneration. According to a legitimate development of competition, therefore, that is to say, according to a competition based on the actual state of physical development, it would only be the lowest, or least skilled grade of labour, that would be limited to a bare maintenance; but as competition always tends to push production, and industrial exertion generally, to its extreme limit, its excesses obliterate all distinctions, and the highest skill will bring only an abject price when it becomes a drug in the market.

Let us listen farther to Mr. George.

"Why, in spite of increase of productive power, do wages tend to a minimum which will give but a bare living?"

"The answer of the current political economy is, that wages are fixed by the ratio between the number of labourers and the amount of capital devoted to the employment of labour," &c.

Mr. George continues to fight this bogus explanation throughout the whole of his first book. If it had suited his purpose, he might have found that the theory of the "wages fund," a crazy piece of artificial machinery devised as a substitute for a natural law, is not universally recognized even by "orthodox" economists.

"In current thought," he continues, "this doctrine holds all but undisputed sway. . ."

"Thus entrenched in the upper regions of

thought, it is in cruder form even more firmly rooted in what may be styled the lower."

Neither of these statements is correct. The doctrine of a "wages fund" is strictly limited to technical economy. Outside the range of those who prefer a scientific jargon to plain language, the very meaning of the phrase is, I believe, rarely comprehended. In fact, artificial scientific dogmas never take hold of the popular mind, and it might almost be considered a test of the soundness of a theory whether, when fairly propounded, it is, or is not, fitted for popular apprehension.

"If wages depend upon the ratio," continues our author, "between the amount of labour seeking employment and the amount of capital devoted to its employment, the relative scarcity or abundance of one factor must mean the relative abundance or scarcity of the other. Thus capital must be relatively abundant when wages rise high, and relatively scarce when wages are low. Now as the capital used in paying wages must largely consist of the capital seeking investment, the current rate of interest must be the measure of its relative abundance or scarcity."

Here again Mr. George confounds two things, the natural and sound principle that the rates of wages depend upon supply and demand, and the artificial principle of the wages fund. It is of the very essence of that principle that a specific section of capital alone affects wages. Unless it is shown that this section bears a constant ratio to the whole, which would render the theory nugatory, but which

is not the real objection to it, the rate of interest on capital generally affords no clue to it.

The two things which render the theory of wages fund untenable are the elasticity and versatility of capital;* things regarding which, although they do not occur to him in this connection, Mr. George is not altogether destitute of knowledge. Some kinds of capital are adapted only to specific uses; others are adapted to various uses. Now the kinds of capital which are best adapted to the uses of wages, food and clothing, always, in a community with an organized industry, exist in redundance, and are, in any required quantity, at the command of the versatile form of capital, the employment of which is determined by the demand for productive employment on the one hand, and the demand for specific commodities on the other.

If there is in a community sufficient food to last through harvest, and with an organized system of distribution, the variations of price always ensure the sufficiency of the supply, there must at any time be more than is required to feed all the labourers of the community. The supply of clothing in such a community is, for similar reasons, always more than sufficient for the immediate demand; and there are always abundance of materials and instruments for the employment of labour. It is for these

* Capital, in its widest sense, according to my definition, consists of precisely the same things as constitute wealth. They are called wealth because they minister to enjoyment, capital, because they minister to industry. Thus some things which are directly capital are indirectly wealth, and some things which are indirectly capital are directly wealth. It is easy to see that a term having such a scope, which it owes to the natural associations of human thought, must be used both commonly and scientifically in a large variety of senses.

reasons I maintain that industry is not, as our economists allege, limited by capital.* I affirm, on the contrary, that in such a community there is at all times capital enough to employ every man, woman and child who is willing to work, to the exhaustion of the physical strength of the last of them, so that in such a community no labourer ever was, or ever will be unemployed for want of capital to employ him.† Labourers are unemployed from the failure of demand, which our economists say does not employ labour, and which they also wrongly assert is inexhaustible. The latter point will be considered farther on.

Mr. George's conclusion in relation to the supposition in the extract last quoted, that profits, or interests and wages, ought (as Ricardo affirms), to fluctuate inversely is:

"This is not the fact, but the contrary."

Mr. George overlooks that it is not only the abundance or scarcity of capital in general, but the demand for specific kinds of labour that affects wages. Capital may be abundant and idle, as it often is in times of crisis, and wages will then be low; but when a large amount of capital in proportion to the labour of any particular kind seeking employment, is seeking to employ that kind of labour, whatever the ultimate result of the enter-

* In the sense in which it is used by economists, that of produced wealth exclusively.

† Nor is the productiveness of labour ever restrained by deficiency of capital. When a new invention is recognized as rendering labour more productive, it is sure to be introduced by some one, and its introducer, until his rivals take it up, will be able to make extra profits, and extend his business at the expense of theirs.

prise may be, the wages of that kind of labour will necessarily be high.

Mr. George discusses in relation to this point "the broad general fact that wages are higher in new countries where capital is relatively scarce than in old countries, where capital is relatively abundant," and gives the opinions of various economists on it; but it is unnecessary to follow him in this discussion, the whole of which is based on a misconception. In new countries labour is scarce relatively to demand, and as it is mostly employed on land, the scarcity of capital does not impede the demand for it. It is, therefore, relatively scarcer than capital; and, if capital is very scarce, it can, beyond the supply of mere necessaries, be hired on credit. An agricultural country is naturally less dependent on capital for the employment of labour than a manufacturing one.

Mr. George finds that a contrary relation exists between "interest" and wages to that usually held, in which he is manifestly in the wrong; and he asks how the received theory arose. He answers that, "it is not an induction from observed facts, but a deduction from a previously assumed theory, namely, that wages are drawn from capital. . . . The proposition I shall endeavour to prove is:

"That wages, instead of being drawn from capital, are in reality drawn from the product of the labour for which they are paid."

This proposition must, previous to inquiry, strike every one who comprehends its terms as capable of bearing only one or other of two interpretations: it

is either a metaphor, or it is a self-contradiction. The fact that wages are habitually paid before anything is "drawn" from the product of the labour for which they are paid, disposes of its literal sense.

"All the teachings," Mr. George goes on to argue, "of the current political economy, in the widest and most important part of its domain are based more or less directly upon the assumption that labour is maintained and paid out of existing capital before the product which constitutes the ultimate object is secured."

Current political economy has enough to answer for without being subjected to groundless charges. What Mr. George means by the "ultimate object" it is difficult to conjecture, but the assumption that wages are commonly paid without securing an object in return, probably never was made until Mr. George imagined it. What economists say is that labour is paid or maintained out of pre-existing capital. They say or assume nothing about the "security" of the product. The labourer has commonly nothing but his labour, and capitalists do not usually give credit without security. What takes place between the capitalist and the labourer is a barter, in which the latter gives labour stored up in a form in which it is not immediately available for the maintenance of any one, or, generally, for any other purpose, and the latter gives the means of procuring immediate maintenance.

Upon the proposition already quoted Mr. George thus sums up his argument: "But the fundamental

truth, that in all economic reasoning must be firmly grasped and never let go, is that society in its most highly developed form is but an elaboration of society in its rudest beginnings, and that principles obvious in the simpler relations of men are merely disguised and not abrogated or reversed by the more intricate relations that result from the division of labour and the use of complex tools and methods" (illustrations follow). "And so, if we reduce to their lowest terms all the complex operations of modern production, we see that each individual who takes part in this infinitely sub-divided and intricate net-work of production and exchange is really doing what the primeval man did when he climbed the trees for fruit, or followed the retreating tide for shell-fish, endeavouring to obtain from nature by the exertion of his powers the satisfaction of his desires. If we keep this firmly in mind, if we look upon production as a whole, as the co-operation of all embraced in any of its great groups to satisfy the various desires of each, we plainly see that the reward each obtains for his exertions comes as truly and as directly from nature as the result of that exertion, as did that of the first man."

Mr. George's "fundamental truth" is a prodigious blunder, which has carried him through the most erroneous reasoning that ever filled a fat book. If you have a few factors, you may deduce from them a few elementary principles; and it is true that where these factors remain, these principles will persist. But if you add new factors, you find that, along with new combinations, you have new

principles of combination; so that the laws of the original combination do not exclusively control the extended groups. The "man who climbed the trees," or the "first man," probably did not own land; he did not co-operate systematically with other labourers; he did not barter the products of his labour; and he was not subject to that great law of competition, by which all modern organized industry is governed. What Mr. George says in the next paragraph that we "plainly see," is exactly the reverse of what we do see. What we see is that the results of modern organized labour are such that no isolated individual labour in any quantity could possibly produce them. We see, accordingly, that the reward of the individual labourer, does not come to him "directly from nature," and is not the result of his own exertions, but the result of combined exertions. That reward accordingly is determined in time, manner, and amount, by the laws of combination. It is because the labourer co-operates with the capitalist that he receives present maintenance, not because his own labour produces it; for as maintenance is not contained in the product of his labour, it cannot be "drawn" from it.

Mr. George concludes the chapter with a series of illustrations in his most exalted rhetorical style. A single specimen will suffice: "The miner who, two thousand feet underground in the heart of the Comstock, is digging out silver ore is, in effect . . . chasing the whale through arctic ice-fields, plucking tobacco leaves in Virginia," &c., &c., &c.

BOOK II. CHAPTER III.

Definition of Terms.

Mr. George devotes four more chapters to "inductive" proof of what he has proved "deductively." The first of these chapters is taken up with the definition of terms.

Nothing tests the power of an abstract writer more than definition, and Mr. George rightly complains of the definitions of his predecessors. I have had my say on this matter.* My view of it is that the terms used in political economy are terms in common use, and that those who define them otherwise than as commonly used forfeit all right to apply the conclusions derived from reasoning on their artificial definitions to the terms as commonly used. I have also pointed out that no important term can be consistently used on a single-meaning definition. With all such terms a variety of meanings, some more others less extended, are by the natural laws of language inseparably associated, and all who use these terms turn naturally from one

* 'The Economy of Consumption,' Introductory chapter.

meaning to another as they have occasion to broaden or narrow the subject of their discourse. If this is done unconsciously in the course of logical argument it is easy to see what confusion must arise.* Yet our economists, in common with many other abstract writers, habitually define their terms in a single sense at the beginning of their treatises, and imagine, because they have done so, that they use them constantly in that sense. I have given many instances of the confusion arising from these causes in the reasoning of our received economists; but I have now to do with Mr. George's definitions alone.

"Not only is it requisite," says Mr. George, "in economic reasoning to give to such words as 'wealth,' 'capital,' 'rent,' 'wages,' and the like, a much more definite sense than they have in common discourse, but, unfortunately, even in political economy there is, as to some of these terms, no certain meaning accepted by common consent."

* * * * * *

"Nothing so shows the importance of language in thought as the spectacle of even acute thinkers basing important conclusions upon the use of the same word in varying senses. I shall endeavour to avoid these dangers. It will be my effort throughout, as any term becomes of importance, to clearly state what I mean by it, and to use it in that sense, and in no other."

* * * * * *

"What we have now in hand is to discover whether,

* The great formal logicians, Sir William Hamilton, John Stuart Mill, Professor Stanley Jevons, are those who most habitually commit this fault.

as a matter of fact, wages are drawn from capital. As a preliminary, let us settle what we mean by wages, and what we mean by capital."

Mr. George says a sufficiently definite meaning has been given to the former term, but the ambiguities attaching to the latter require detailed examination.

"The common meaning of the word wages is the compensation to a hired person for manual labour. But in political economy the word wages has a much wider meaning, and includes all returns for exertion."

Wages are undoubtedly the hire of labour, whether manual or otherwise; but "returns for exertion" can only be called wages by a metaphor.

Mr. George thus justifies his definition: "For, as political economists explain, the three agents or factors in production are land, labour, and capital, and that part of the produce which goes to the second of these factors is styled by them wages."

Very likely; and a good deal of false reasoning, no doubt, has resulted therefrom.

"Thus the term labour includes all human exertion in the production of wealth, and wages, being that part of the produce which goes to labour, includes all reward for such exertion."

An excellent definition if the object of political economy was to reason *in vacuo;* but a very perilous one if conclusions are to be applied to words in their ordinary senses.

"In the standard economic works this sense of the term wages is recognized with greater or less clearness, only to be subsequently ignored."

With regard to this remark the reader had better take Captain Cuttle's advice, "to make a note of it."

Mr. George goes into a review, in which I shall not follow him, of the various meanings given by economists to the word capital. It is only necessary to quote a few passages of it which bear more especially on his own definition.

"Land, labour and capital are the three factors of production. If we remember that capital is thus a term used in contradistinction to land and labour, we at once see that nothing properly included under either of these terms can be properly classed as capital."

But which is the residuary term? Can we define capital independently, or are we to be reduced to finding it "the factor of production which is not land or labour?" Is the division of the "factors of production" into three a natural division, arising from the fact that these are really all the factors of production, or an artificial fact created by definition? If the former, then this fact ought not to be insisted upon before definition, but should be derived from it; if the latter, then the terms so created are worthless in common use.

"In common parlance we often speak of a man's knowledge, skill or industry as constituting his capital; but this is evidently a metaphorical use of language that must be eschewed in reasoning that aims at exactness."

How about the man in the Comstock who was plucking tobacco leaves in Virginia?

"Thus we must exclude from the category of

capital everything that may be included either as land or labour. Doing so, there remain only things which are neither land nor labour, but which have resulted from the union of these two original factors of production. Nothing can be properly capital that does not consist of these, that is to say, nothing can be capital that is not wealth."

After speaking of the errors of "parliaments," "congresses," "legislators," and "flabby writers, who have burdened the press" with volumes which "pass as text books with the ignorant," and saying that "the best writers" on political economy do not share these errors, Mr. George points out the errors of these best writers.

"But the great defect which these definitions have in common is that they include what clearly cannot be accounted capital, if any distinction is to be made between labourer and capitalist. For they bring into the category of capital the food, clothing, &c., in the possession of the day-labourer, which he will consume whether he works or not, as well as the stock in the hands of the capitalist with which he proposes to pay the labourer for his work."

* * * * * *

"If the articles of actual wealth existing at a given time in a given community were presented *in situ* to a dozen intelligent men who had never read a line of political economy, it is doubtful if they would differ in respect to a single item as to whether it should be accounted capital or not. Money which its owner holds for use in his business or in specula-

tion would be accounted capital; money set aside for household or personal expenses would not," &c.

"Now, if after having thus separated the wealth that is capital from the wealth that is not capital, we look for the distinction between the two classes, we shall not find it to be as to the character, capabilities or final destination of the things themselves, as has been vainly attempted to draw it; and it seems to me that we shall find it to be as to whether they are or are not in the possession of the consumer. Such articles of wealth as in themselves, in their uses, or in their products, are yet to be exchanged are capital; such articles of wealth as are in the hands of the consumer are not capital. Hence if we define capital as *wealth in course of exchange*, understanding exchange to include not merely the passing from hand to hand, but also such transmutations as occur when the reproductive or transforming forces of nature are utilized for the increase of wealth, we shall, I think, comprehend all the things that the general idea of capital properly includes, and shut out all it does not."

According to this definition, if a man cooks a beefsteak for his own dinner it is not capital, because it is "in the hands of the consumer," and it is capital, because the "transforming forces of nature" are being utilized to add to its value. It would be superfluous, however, to criticize Mr. George's definitions on their merits. He is not defining terms for the purposes of economic science generally; he is defining them with a specific view to a definite problem which he has undertaken to solve, and to a specific

proposition in relation to that problem which he has undertaken to prove. Thus he censures Mr. Thornton for including land in the definition of capital, relatively to labour, although this inclusion must be made, if labour and capital are to be spoken of as complete correlatives. Capital does two things for labourers: it provides them with the means of subsistence, which is what Mr. George chiefly concerns himself about; and it provides them with materials to work upon, which, until the very close of his argument, he habitually leaves out of sight. Now land does the second as well as produced capital, and, therefore, cannot be left out in any complete view of capital as the support of labour. If, therefore, a proposition which really consists of two terms is not to be expressed in three, land must be included in capital, when the term is used in contradistinction to labour.

It is to be noticed farther that Mr. George's two definitions are framed on widely divergent principles. He extends his definition of wages by analogy to the utmost limit: he arbitrarily narrows the definition of capital beyond the straitest literal limit. To make good his definition of the latter term, too, he has to extend artificially the definition of exchange; and in a contradictory manner as already shown.

But the point of chief importance is that Mr. George's definitions are wholly antagonistic to the object with which he has made them. The proposition he undertakes to prove is that wages (as defined) are not drawn from capital (as defined). But his object in proving this is to show that it is not because

of their dependence (real or assumed) on capital that wages tend to a minimum of "bare subsistence." But what wages tend in this way? Not the "reward of exertion" surely; but the hired wages of labour not distinguished by superior skill. If Mr. George proves his defined proposition, then, what has he accomplished? Let us assume that wages, as defined by him, and "interest," which he calls the remuneration of capital, as defined by him, are, as he alleges, in conjunction and not in opposition; there will remain another thing which, as a matter of fact will be found in opposition to hired wages, namely, that part of profit, or the reward of capital in the ordinary sense, which, according to Mr. George's definition is the wages of unhired labour. As wages and profit, in this sense, constitute (with rent) the joint reward of labour, it is obvious that what goes to the one cannot go to the other, and that, as regards division, they are necessarily in opposition. What will it serve Mr. George, then, to prove that part of the hirer's share of the proceeds of industry ought to be called wages, and that wages in his extended sense is not dependent on capital? I do not say this proposition is easier to prove than the other; but only that it would be useless to Mr. George even if it were proved.

Mr. George's definition of capital, again, is irreconcilable even with the immediate object with which it is framed. He wishes to exclude from the notion of capital the property of the hired labourer; but that property comes strictly within the terms of his definition. Is not money held for personal or domestic

expenses "wealth in process of exchange?" Mr. George says in a note it may be considered to represent commodities for consumption; but this does not save his consistency. Again, a spade of his own used by a hired labourer utilizes the transforming powers of nature for the increase of wealth. It therefore is capital; or if not capital, it must, as a factor of production, be either land or labour, and it remains for Mr. George to say which. In like manner the means of a self-employing labourer, which are the support upon which he employs himself instead of hiring himself out, are surely factors of production. They are, therefore, capital, even in Mr. George's sense, and is not the labourer himself and his labour too dependent on them? As Mr. George means to exclude the property of the labourer, whether hired or free, from the notion of capital, it is obvious that he never uses the term in the sense in which he has defined it. In what particular sense he does use it it would be difficult to conjecture.

BOOK II. CHAPTER IV.

The Inductive Argument for the Independence of Wages.

Mr. George's third chapter opens with that sort of irrelevant argument to which his chapters on population have accustomed us. We are told that in all the cases in which the labourer is his own employer the produce of the labour is its reward. Suppose this to be true, what does it prove as to hired labour? If Mr. George insists on broadening his definitions so as to make them include distinct things, he proves nothing as to one class of things contained under his definition by asserting something as to another class of them.

"If I take a piece of leather and work it up into a pair of shoes, the shoes are my wages, the reward of my exertion, surely they are not drawn from capital, either my capital, or anyone else's capital."

This with numerous other illustrations would lead one to suppose that Mr. George does not recognize material used in production as capital, which it

appears later on that he does, on the assumption, I presume, that it belongs to a hirer of labour. But is not this assuming a distinction in kind between hired and unhired labour?

Mr. George next goes back to the origin of things, and traces the growth of organization step by step in order to show that the remuneration of labour always has been the produce of the labourer. One passage will suffice to show the cogency of his reasoning.

"It may take a year or seven years to build a ship, but the creation of value of which the finished ship will be the sum, goes on day by day and hour by hour from the time the keel is laid, or even the ground is cleared. Nor by the payment of wages before the ship is completed does the master builder lessen either his capital, or the capital of the community; for the value of the partially completed ship stands in place of the value paid out in wages. There is no advance of capital in the payment of wages, for the labour of the workmen during the week or month creates and renders to the builder more capital than is paid back to them at the end of the week or month, as is shown by the fact that if the builder were at any stage of the construction asked to sell a partially completed ship, he would expect a profit."

How can a man who professes to be writing a scientific treatise so trifle with the common sense of his readers? Suppose Mr. George is allowed to put upon words any sense he pleases, what difference will that make in the nature of the things he de-

scribes? The fact remains after all Mr. George's verbiage that it is through the wages received from his employer that the hired labourer procures the means of maintenance, and that he could never procure them by any portion of the labour he has put into the ship; that being so, he has to bargain with the employer about wages just the same whether it is asserted that he is living on the proceeds of his own labour, or admitted that he lives on the wages he receives for it, and which are "drawn" from the employer's capital, nor will he earn a halfpenny more with the one phrase than with the other. The capitalist who builds a ship either on his own account or to order, expends from week to week actual capital, and lays up prospective capital, which would be of no possible use either to himself or the labourers, unless he or some one else could provide adequate capital to complete the operation. The unfinished ship is not saleable. Normally there is no market for such commodities, and there would be none at all, but for the assumption that it will be completed. As it stands it is not a commodity, and it is only imperfectly exchangeable in anticipation of its becoming one. If the original builder has not capital enough to complete it, he will probably have to part with it at a loss to another, and unless some one persists in sinking fresh capital in it to the close, it will never be finished at all. If a shipbuilder's capital is limited, while he has one ship going on he cannot build another, and the number of labourers he can employ depends on the amount of capital he has to spend, not on the number of

ships he chooses to build, which would be the case if these were his capital. So when a producer has a warehouse full of saleable commodities, he must sell them before he produces another warehouseful. The one operation he calls locking up his capital, the other releasing it.

Mr. George's fourth chapter is a continuation of the third, the former being entitled "Wages not Drawn from Capital, but Produced by the Labourer," the latter "The Maintenance of Labourers not Drawn from Capital," which, upon any comprehensive view of wages, is not a distinct proposition. The reason for the distinction is, however, thus given by Mr. George: "As the ploughman cannot eat the furrow, nor a partially completed steam-engine aid in any way in producing the clothes the machinist wears, have I not, in the words of John Stuart Mill, 'forgotten that the people of a country are maintained, and have their wants supplied, not by the produce of present labour, but of past?'"

* * * * * *

"So confidently is it held that the maintenance of labour is drawn from capital that the proposition that 'population regulates itself by the funds which are to employ it, and, therefore, always increases or diminishes with the increase or diminution of capital,' * is regarded as equally axiomatic, and is made the basis of important reasoning."

I cannot pass over Ricardo's proposition without a word of protest. It is one of a class of generali-

* Ricardo's "Principles of Political Economy," Chapter II.

zations based on surface observation, of which Ricardo is the great coiner, and which are the disgrace of political economy as a science. That upon which the growth of population really depends is the elasticity of natural resources, not the expansion of produced capital. Increased wages no doubt tend to encourage marriages; but there is no such necessary and invariable dependence of the growth of population on the increase of "capital" as Ricardo imagines. It would be more substantially true to say that the expansion of capital is caused by the growth of numbers, than that it is its source. Growing numbers are also a frequent cause of increased poverty among the working classes, showing that they have not been preceded by a relative increase of wages, the only way in which increased capital would materially affect the growth of population. It has been by such generalizations that Mr. George has been led to suppose that the theory of wealth propounded by Adam Smith has been harmonized with the Malthusian theory of population, as great a mistake as the generalizations themselves.

Mr. George continues:—

"Yet being resolved, these propositions are seen to be not self-evident, but absurd; for they involve the idea that labour cannot be exerted until the products of labour are saved, thus putting the product before the producer."

This idea is involved only in the defective definition of capital on which our economists usually reason. Labour cannot be exercised without capital; but its original and permanent capital is natural

agents, which, as I have before said, capital, when spoken of as the correlative of labour, must always be assumed to include.*

Mr. George proceeds:—

"And being examined, they will be seen to derive their apparent plausibility from a confusion of thought.

"To say that a man must have his breakfast before going to work is not to say that he cannot go to work unless a capitalist furnishes him with a breakfast, for his breakfast may, and in point of fact, in any country where there is not actual famine, will come, not from wealth set apart for the assistance of production, but from wealth set apart for subsistence."

Here we see the result of the false distinctions by which Mr. George limits the definition of capital. John Stuart Mill, who, like Mr. George, limits capital to wealth actually applied in support of industry, habitually ignores the limitation in his reasoning. When he speaks of the capital of a country, he really means the things in it applicable to the support of labourers, or to the promotion of industry.

Let us give Mr. George his own definition of capital, and what does he prove? Nothing, of the smallest interest to any one. It is only by giving back to capital its extended sense that he can give a practical meaning to his conclusions. If Mr. George will not allow us to say that a country "where there

* Unless when "land" is implicitly or explicitly referred to as a distinct element of the combination.

is not famine" has a supply of capital, the produce of labour, and that a labourer who takes his breakfast before he goes to work is applying capital, however procured, in support of his labour, we must try to say these things in another way, but still we will continue to say them, and to mean exactly what we meant before. According to the definition I have given, the use of a commodity as wealth does not preclude its use as capital: the bread eaten by a labourer is used both as wealth and as capital.

It is a curious thing that what Mr. George is really arguing against is not the support of labour by capital, but the support of one man by another, or the procuring by one section of a community of the means necessary for setting other sections to work; in other words, he is arguing against industrial organization. Now, as already noticed, Mr. George takes great pains in numerous illustrations to set forth the various stages of this organization, according to his own conception of it; but his constant object in doing so is to eliminate, after the method of his master, Ricardo, organization, not from fact, but from economical reasoning, and to ascribe the whole results of industry to individual exertion.

"It is not necessary," Mr. George goes on, "to the production of things that cannot be used as subsistence, or that cannot be immediately utilized, that there should have been a previous production of the wealth required for the maintenance of the labourers while the production is going on. It is only necessary that there should be somewhere

within the circle of exchange a contemporaneous production of sufficient subsistence for the thing on which the labour is bestowed."

It is difficult to imagine the state of mind which can induce a man to put forward such an argument seriously in a scientific work; yet there is no doubt Mr. George does so. It is obvious that industrial organization can proceed a very little way without some stock of necessaries and instruments; but suppose we say it can proceed without them, all that Mr. George gains is to substitute a simultaneous for a continuous organization. We know that all the great triumphs of industry are due to the continuity of its organization, and that this continuity is never broken without disaster; but let this pass: give Mr. George his own organization, and what has he got? Those who provide the necessaries for other labourers are still the organizers and capitalists of the entire labour. It is obvious, too, that there cannot be a complete suppression of continuity in organization. Wealth must be produced before it can be used. Mr. George's consistency may also be noted. Only as far back as the second chapter of this book we found him defining capital as "wealth in course of exchange," now we have him telling us that if there is wealth to support industry anywhere within the circle of exchange there need not be capital.

"Here is a luxurious idler, who does no productive work either with head or hand, but lives, we say, upon wealth which his father left him securely invested in Government bonds. Does his subsis-

tence, as a matter of fact, come from wealth accumulated in the past, or from the productive labour that is going on around him? On his table are new-laid eggs, butter churned but a few days before, milk which the cow gave this morning, fish which twenty-four hours ago were swimming in the sea, meat which the butcher boy has just brought in time to be cooked, vegetables fresh from the garden, and fruit from the orchard; in short, hardly anything that has not recently left the hands of the productive labourer (for in this category must be included transporters and distributors as well as those who are engaged in the first stages of production), and nothing that has been produced for any considerable length of time, unless, it may be, some bottles of old wine. What this man inherited from his father, and on which we say he lives is not actually wealth at all, but only the power of commanding wealth as others produce it, and it is from the contemporaneous production that his subsistence is drawn.*

How long does Mr. George imagine that commodities have to be produced before they become capital, and does he suppose all the production he refers to has been conducted without the support of previous capital? What the man referred to in-

* I have for a different reason noticed the extent to which wants are supplied by current labour: "The bulk of our material wants are supplied by current labour, and the natural destiny of men is to work as long as they have wants to be supplied. The more general is the effort to anticipate wants in the gross, the greater must be the errors in the forecast, and the larger the share of individual disappointment" ("The Economy of Consumption," Part II., Book V., Chapter I.) I am speaking of the tendency of ordinary economic teaching to inculcate excessive accumulation, and against the doctrine of the indefinite utility of capital.

herited from his father was unquestionably a claim in current labour arising out of contributions made by him directly or indirectly to the capital by which it is supported, or in some other way to the industrial or social advantage of the present labourers.

"If we trace the circle of exchange by which work done in the production of a great steam engine secures to the worker bread, meat, clothes and shelter, we shall find that though between the labourer on the engine and the producer of the bread, meat, &c., there may be a thousand intermediate exchanges, the transaction, when reduced to its lowest terms, really amounts to an exchange of labour between him and them. Now the cause which induces the expenditure of the labour on the engine, is evidently that some one who has the power to give what is desired by the labourer on the engine* wants in exchange an engine, that is to say, there exists a demand for an engine on the part of those producing what the producers of the bread, meat, &c., desire. It is this demand which directs the labour of the machinist to the production of the engine, and hence, reversely the demand of the machinist for bread, meat, &c., really directs an equivalent amount of labour to the production of these things, and thus his labour, actually exerted in the production of the engine, virtually produces the things in which he expends his wages."

I quote another passage which follows the enunciation of a proposition we have yet to consider.

"And so the man who is following the plough,

* To this periphrasis Mr. George has reduced a capitalist.

though the crop for which he is opening the ground is not yet sown, and after being sown, will take months to arrive at maturity, is yet by the exertion of his labour in ploughing, virtually producing the food he eats and the wages he receives. For though ploughing is but part of the operation of producing a crop, it is a part, and as necessary a part, as harvesting. The doing of it is a step towards procuring a crop, which, by the assurance which it gives of the future crop sets free from the stock constantly held the subsistence and wages of the ploughman. This is not merely theoretically true, it is practically and literally true. At the time for ploughing let ploughing cease, would not the symptoms of scarcity at once manifest themselves . . . ? And if this would be so, is not the man who ploughs really producing his subsistence and wages as much as though during the day or week his labour actually resulted in the things for which the labour is exchanged?"

Mr. George has evidently one measure for "the luxurious idler" and another for the labourer. The former is not allowed the smallest use of metaphor in drawing his supplies from capital. He is simply living on the current labour of others, while the ploughman is allowed to consume "wealth in process of exchange" as the literal product of his own industry. How long must labour be over before this distinction is drawn between it and current labour? Is it because the "luxurious idler" inherited wealth from his father that he is represented as living on the labour of others, and if he had

earned it himself in former years, would he, like the ploughman, be living on the literal fruits of his own industry?

What is chiefly worthy of notice in these passages is Mr. George's reduction of "the transaction" to "its lowest terms," because this operation is purely Ricardian, and in Mr. George's hands it shows itself in its naked reality, as unsound reasoning and bad economics.

The lowest terms, let it be said, of a transaction with a thousand intermediate exchanges is a thousand and two, if we are to suppose the intermediate exchanges bounded by an initiatory and a final exchange. The principal of "elimination," as it is called, by which processes are left out of account to reach final results, was, if not introduced, at least carried to perfection by Ricardo. It has been found so convenient, and has been so universally practised, that, among other results, economists have come by its aid to imagine, or at all events to reason as if, the processes of competition, to which it has been heroically applied, are conducted without cost.

It is a fundamental principle of economy, and one that cannot be kept out of sight without vitiating all the results of our reasoning, that every exchange is effected at some cost, if only an expenditure of time, to both the parties conducting it. The more distant and complex the exchange, of course the greater is the cost. The circumstance which usually absorbs the attention of economists is that the exchange is immediately advantageous to both parties, and this, assuming them to be accurately

informed as to their interests, it no doubt is. Upon this circumstance a whole scheme of commercial policy, the principal, it might be said, the only achievement of "orthodox" economy has been built. The rejected circumstance is, however, far more vitally concerned with the true or natural principles of commercial policy than the accepted one: for while the latter rests on immediate, the former takes account of permanent interests.

If this principle were systematically applied, as the other has been, it would very soon be seen that there is often not only a wide margin, but a complete opposition between immediate, or apparent, and real or final interest. It would be found, in particular, that there is not, as our economists imagine, a universal principle of commercial policy applicable to every variety of circumstances, and to every stage of commercial development. A country, for example, which has its industry to organize has a very different interest in relation to commerce from a country whose industry is fully organized. If a country in the former condition imposes taxes on some of the products of the latter in order to supply itself with higher-priced products of its own, it is supposed by our economists to commit an extreme folly, as if the natural cost of producing a commodity at home were not less than that of bringing it from abroad, and as if it were unjustifiable to incur any expense in organizing a home industry up to the degree of development necessary to enable it to stand the competition of an already organized foreign industry. The student of history reads

with interest that at a particular time a certain monarch or statesman fostered a particular industry in a given country, that Queen Philippa, for example, the wife of Edward III., transported the manufacture of woollen cloth from Flanders to England. All this according to our advanced economists is an exhibition of economic ignorance. If Flanders in the days of Queen Philippa could spin wool and weave cloth better than England, Englishmen should have contented themselves with breeding sheep and exporting wool in return for woollen cloth. This particular act of folly has, I believe, proved remarkably advantageous to England, as it will be still more advantageous to America to manufacture her own iron and cotton goods instead of importing them from us in exchange for raw material.

The fundamental principle of commerce I have deduced from the suppressed condition to which I have referred is that the minimum of commerce coincides with the maximum of commercial advantage, that is to say that all superfluous exchanges are injurious, and therefore all avoidable exchanges should be avoided. This principle applies with accelerated force to foreign exchanges, and whatever contributes best to its application is the true commercial policy for that time and place: whatever takes away a necessity for foreign exchange where one exists, or reduces a necessity that cannot be removed is sound commercial policy.

If a man makes hats, or prints calicoes in Glasgow, and sells them to a wholesale dealer in London, who

re-sells them to a retailer in the same town and street as the maker; or if we get cotton from Egypt or America, weave it into cloth, send it to India, and with its produce pay for the material and purchase bread in America, this on the small scale is reckoned a curiosity, on the large one a marvel of commerce. In reality it is an enormously round about and expensive way of getting supplies. When it is resorted to on a large scale it only proves that population has been planted where it cannot be economically provided for. All such commerce is either accidental, or temporary, in its nature. When it is on a large scale it is necessarily a source of danger to both of the parties engaged in it: for it lasts only till one of the parties can by better organization or improved exchanges escape from it. Thus if by mutual free trade England could double her manufacturing and America her agricultural population, both would be placed in a position of extreme peril. England might find supplies elsewhere, to the ruin of American agriculture, and what is much more likely, America would sooner or later insist in organizing manufactures for herself, and leaving England in the lurch. When she succeeded in doing so, she would save her agricultural population the expenses and risks of foreign commerce.

That all such commerce is temporary is obvious from the very nature of exchange. There can never be a quantitative gain on both sides of an exchange. If one gains in quantity of subsistence, or to speak more generally, of labour, the other loses. The normal gain of exchange is variety, and when

foreign commerce is used mainly for this end, its extent is a fair test of industrial prosperity; when it is used largely for subsistence, its increase is a test of the growth of abnormal population. It is thus a dangerous facility to be able to procure supplies of food cheaper than they can be produced at home, and such supplies are always naturally dearer than if those who use them removed their industry to where they are produced.

Mr. George's conclusion from the preceding passages is contained in the proposition, to which I have already referred,

"The demand for consumption determines the direction in which labour will be expended in production."

Mr. George's labour has resulted like the proverbial travail of the mountains. This harmless truism would be received without hesitation by the stiffest of Mr. George's "orthodox" opponents. What Ricardo and John Stuart Mill say is that demand determines the direction of industry, but that capital assigns its limits. Here I am more unorthodox than Mr. George himself, for I assert that, within the limits of available natural agents, demand determines both the quantity and the direction of industry. In assuming demand to be inexhaustible, the authors of the contrary theory confound demand with want, forgetting that it is what economists call "effective" demand, that is demand backed by adequate purchasing power that alone determines production. Thus John Stuart Mill says that if there is no other demand for their

labour, the labourers can produce things for themselves. But it is obvious that in an organized system the demand of labourers for commodities cannot constitute an effective demand for their labour, because besides the share of produce that the labourers can take there must be enough to pay the organizers of industry for capital and land. Thus the whole demand of labourers under such a system must be satisfied by the labour of a limited proportion of their number, and no labourer whatever can provide a demand for his own labour.

Capital, while it works designedly for effective demand only, is always ready to take up every effective demand. I have already shown that it is adequate. But capital is from the nature of organization compelled to work for anticipated demand, and its anticipations are always more or less inaccurate. Hence those fluctuations which our economists attribute to deficiency of capital.

BOOK II. CHAPTER V.

The Functions of Capital.

In the fifth and last chapter of this book Mr. George discusses the real functions of capital, and here, for the first time, he seems to recognize that capital is of any use to industry at all. He enumerates several uses commonly recognized, then he says: "Capital does not supply the materials which labour works up into wealth, as is erroneously taught; the materials of wealth are supplied by nature. But such materials partially worked up, and in course of exchange are capital." He might as well have said, "Labour does not supply the exertions by which natural materials are wrought into capital, as is erroneously taught, these exertions are supplied by men, but these exertions while incomplete are labour."

A ship partially built is in "process of exchange" according to Mr. George's definition, which includes production in exchange, and here he seems to say that capital is made exclusively of such partially produced commodities, which are not exchangeable

in the ordinary sense, and therefore cannot minister to production; but this is not consistent with what he says even in this chapter about the uses of capital.

"Capital," he proceeds, "does not limit industry, as is erroneously taught, the only limit to industry being the access to natural material. But capital may limit the form of industry, and the productiveness of industry by limiting the use of tools and the division of labour."

Here he is using the very expression to which he objects in the previous paragraph. If capital does not supply tools, how can it limit the use of them? But the truth is that capital does contribute to the supply of the very things of which it consists. We use tools to make tools, and burn coal to procure more coal, and so we might go on, after the manner of Mr. George, through a dozen more instances.

Mr. George repeatedly denies that capital limits industry, but he does not appear to have apprehended the meaning of the proposition he controverts, accordingly his arguments against it are without validity, and in this passage he explains away nearly all that is substantial in the counter proposition. An orthodox economist would have little difficulty in accepting his qualified denial which seems to imply no more than that if you have an empty field you can set labourers to work in it. It will subsequently be seen that this proposition has some significance in Mr. George's system, but it is of little value for the present purpose.

Mr. George says the proposition that labour is limited by capital is rendered absurd by the circumstance that labour produces capital. But although the doctrine of the economists is false, it is not, as he assumes, self-contradictory, and his argument, in fact, does not touch it. Labour, it is true, produces capital, but the products of labour are rapidly consumed, and what economists allege is that but for the exertion of a voluntary restraint, which they call parsimony, or saving, they would be consumed so rapidly as to stint labour of support. I have shown that in an organized industry labour is not dependent upon voluntary parsimony, but upon an accumulation expressly designed for its support and motived by its own profits, and that, so far from being inadequate, this accumulation, in every stage of industrial progress, tends to excess, which is only checked by failure of profit.

Mr. George, although he theoretically concedes nearly all that our economists demand, comes much nearer the truth in looking at the practical aspect of the question. The following qualification of his admissions is very much in the style of John Stuart Mill.

"To say that capital may limit the form and productiveness of industry is a very different thing from saying that capital does. For the cases in which it can be truly said that the form or the productiveness of the industry of a community is limited by its capital will, I think, appear upon examination to be more theoretical than real."

In supporting this proposition Mr. George takes a tolerably just view of the elasticity of capital.

The correlative proposition that the utility of capital is limited he also accurately grasps, but he endeavours to prove it (*more suo*) by an inapt illustration.

"As no matter how much water is poured in, there can never be in a bucket more than a bucketful, so no greater amount of wealth will be used as capital than is required by the machinery of production and exchange that under all the existing conditions, intelligence, habit, security, density of population, &c., best suit the people. And I am inclined to think that as a general rule this amount will be had—that the social organism secretes, as it were, the necessary amount of capital, just as the human organism in a healthy condition secretes the requisite fuel."

This is pretty good guessing, but a bucket is an inelastic vessel, and water a nearly incompressible fluid. Industry is highly elastic and capital very compressible. The two doctrines upon which, in opposition to the dogmas of our economists, Mr. George has hit, however, namely that capital will always be found where there is a plausible demand for it, and that it can never be permanently retained in active relation to industry in larger quantity than there is a real demand for it, are the two fundamental doctrines of a true theory of capital.*

* For a full exposition and defence of them I may refer to "The Economy of Consumption," Part I., Book I., Chapter II.

BOOK III. CHAPTER I.

"Laws of Distribution." The Subject Generally Reviewed.

Mr. George's third book is entitled "The Laws of Distribution."

He assumes it to be proved in the preceding books that the decline of wages is not due to inadequacy of capital, nor to the encroachment of population on natural resources; consequently he is constrained to look for it in the "laws of distribution." In the first chapter he states that it is necessary "to review in its main branches the whole subject of the distribution of wealth."

This is a promising inquiry. Let us see how it is conducted.

The first important statement in the review is this: "As a matter of fact a portion of the wealth produced is constantly going to capital which is constantly consumed and constantly replaced. But it is not necessary to take this into account, as it is eliminated by considering capital as continuous,

which, in speaking or thinking of it we continually do."

This is a splendid example of the method of elimination, and a hopeful beginning of what may be considered as a judicial investigation.

Who is it that absorbs the wealth that, if there is no scarcity of material, ought to reward the industry of the labourer? This is the question to be answered. Mr. George has hitherto laboured to show that organization does not complicate the question, that, in spite of all exchanges of labour or produce, the reward of the labourer is simply the produce of his labour. But somehow this conclusion has proved abortive. The labourer does not get the produce of his labour, and it is manifest that the class of labourers, that is, hired labourers, whom Mr. George, although he has defined them away as a separate class, still has really in his eye, get, as a whole, much less than the value of the product of their labour. We are, therefore, still left inquiring where does the rest go to? Now, we know that there are three contributors to productive industry, the owner of land, or the natural agents of production; the owner of capital, or the prepared materials for the promotion of production; and the labourer himself, the actual producer. If anybody steals the labourer's share, then, it is evident that the question, who is the culprit? is narrowed to a single alternative. We must convict either the landlord or the capitalist. Mr. George is already convinced in his own mind that there is a thief; he has also made up his mind

who the thief is, and he begins his inquiry d
passionately by trying the innocent man. The tr
thus inaugurated begins with a view to a spe
acquittal. The two suspects occupy in relation
the subject of inquiry very different positions. T
landlord contributes to production land, and all
receives back is his share of the produce of
land; the labourer contributes labour, and all
receives is the share of the produce assigned
labour. But the capitalist contributes mate
which is worn or consumed, and besides his sh
of the increase, or profit of production, he g
compensation for the material used in it. Besid
it is the capitalist who manages the whole aff
and who distributes the gross proceeds into the f
divisions, one of which is due to the landlord, c
to the labourer, and two to himself. Mr. Geor
begins his inquiry by saying virtually "it is qu
evident the whole of this process has nothing
do with the case, and we may as well eliminate
from the investigation."

In this elimination two questions are involve
both of which are judged out of the inquiry. T
replacement of capital is a costly process, an
perhaps it might be found, if due consideratio
were given to it, that there is no delinquency to b
accounted for. Moreover, it is an uncertain proces
and affords great opportunities to whomsoever
entrusted with it to serve his own interests; s
that if there is a delinquent to be looked for, the
opportunities are precisely what any investigat
with the intelligence of an ordinary detective wou
look most sharply into. But Mr. George is abo

that order of intelligence. If he were an advocate instead of a judge, and were defending a man accused of burglary, he would say to the jury, "Gentlemen, it has been clearly proved that my client was out all the night on which this burglary was committed, and no witness for the defence knows what he was doing, it is clear, therefore, that he could not have been engaged in the burglary."

The replacement of capital, it is to be noted, is not a literal replacement. The things used or consumed are never restored; but a compensation is given for them, that compensation is a valued one, and the capitalist himself is the valuator: for it is the capitalist who determines what part of his gross profit he shall expend as his own earnings, and what part he shall restore to industry as fresh capital.

Mr. George is himself aware that there is no mechanical law for this replacement. What is replaced is not the exact equivalent either in kind or amount of the capital consumed. It is, as Mr. George has rightly stated, more or less according to the growing or declining demands of industry, not only as a whole, but in all its various branches.

Mr. George is highly amusing, as well as edifying, when he says that "we," that is economists, habitually speak and think of capital as continuous. I have brought a similar charge against our economists, but, although I believe it to be just, I expected it to be indignantly repudiated; Mr. George speaks of it as a habit natural and proper to the process of economical reasoning.

Such apparent oversights as Mr. George here commits in ignoring his own view of the elasticity of capital we shall find to be habitual to his reasoning, especially when he is in the act of framing generalizations. It must not be supposed that these inconsequences always result from actual oversight. In some cases they appear to do so; in others they are evidently designed. In the framing of his generalizations Mr. George is faithful to the method of his master, Ricardo. He often states correctly circumstances of the greatest moment of which he intends to take no account in them.

To do Mr. George justice, he does not intend to leave profit altogether out of account in his investigation, although we shall find him again eliminating, apparently inadvertently, a large slice of it; but in refusing to look into the process of replacement of capital, which is, in fact, the process of the separation and determination of the amount of profit, he precludes any inquiry into the real nature of profit, and he intends to give a highly artifical explanation of it, derived solely from his own imagination, and which the slightest reference to experience will show to be as fictitious as his theory that wages are the direct produce of the labour performed in return for them.

Mr. George farther proposes to eliminate, but only temporarily, the effects of taxation and of monopoly. The elimination, however, appears to be perpetual.*

* I mean they do not come within his system of doctrines. He notices taxation when dealing with 'the remedy.' I have referred to his treatment of it in Book VI, wherein it will be seen how readily he accepts received doctrines when they happen to harmonize with his preconceived theories. How he deals with monopoly will presently be seen.

Then he says: "We must discover these laws of distribution for ourselves, at least two out of the three."

This sentence standing, as it does, without explanation has an odd effect, making it seem as if the laws which we are in search of were already discovered. Subsequently, however, it appears that Mr. George has assumed that because there is a tripartite division there must be three laws. As he has already eliminated the share of capital, no law is assigned to it, unless, in contradiction of Mr. George's own facts, continuity is supposed to be its law.

"In all politico-economic works we are told," he says, "that the three factors in production are land, labour and capital, and that the whole produce is primarily distributed into three corresponding parts. Three terms, therefore, are needed, each of which shall clearly express one of these parts to the exclusion of the others. Rent, as defined,* clearly enough expresses the first of these parts, that which goes to the owners of land; wages, as defined, clearly enough expresses the second, that which constitutes the return to labour; but as to the third term, that which should express the return to capital, there is in the standard books a most puzzling ambiguity and confusion."

Mr. George has thus already narrowed the problem of what he calls "the laws of distribution" to a single issue. By distribution it appears that he means simply the distribution of wealth. But the

* He refers here to the received definitions of these terms.

problem of the distribution of wealth is not a simple nor an elementary one; it is preceded by the problems of the distribution of labour, and of the distribution of the proceeds of labour to the consumer as a part of the process of constituting the wealth of the producers. All this Mr. George eliminates without acknowledgment, and apparently without consciousness; yet it is precisely here, and nowhere else, as we shall find, that the solution of the problem Mr. George has propounded, of the poverty of the labourer's reward, is to be found.

"Of words in common use," says Mr. George, "that which comes nearest to exclusively expressing the idea of return for the use of capital is interest, which, as commonly used, implies the return for the use of capital, exclusive of any labour in its use or management, and exclusive of any risk, except such as may be involved in the security. The word profits, as commonly used, is almost synonymous with revenue; it means a gain, an amount received in excess of an amount expended, and frequently includes receipts that are properly rent, while it nearly always includes receipts which are properly wages, as well as compensations for the risk peculiar to the various uses of capital. Unless extreme violence is done to the meaning of the word, it cannot, therefore, be used in political economy to signify that share of the produce which goes to capital, in contradistinction to those parts which go to labour and to landowners."

"Neither in its common meaning, nor in the meaning expressly assigned to it in the current

political economy, can profits have any place in the discussion of the distribution of wealth between the three factors of production,"

* * * * * *

"Yet this, to the utter bewilderment of the reader, is what is done in all the standard works."

"The difficulty from which this confusion has sprung is in the pre-accepted theory of wages. For reasons which I have before assigned, it has seemed to them a self-evident truth that the wages of certain classes of labourers depended upon the ratio between capital and the number of labourers. But there are certain kinds of reward for exertion to which this theory evidently will not apply, so the term wages has in use been contracted to include only wages in the narrow, common, sense . . . all wages which will not fall under the pre-accepted law of wages being vaguely grouped under profits, as wages of superintendence.

"The current political economy fails to give any clear and consistent account of the distribution of wealth. The law of rent is clearly stated, but it stands unrelated. The rest is a confused and incoherent jumble."

"The laws of distribution of wealth are obviously laws of proportion, and must be so related to each other that any two being given the third may be inferred."

"But between the laws of the distribution of wealth, as laid down in the standard works, there is no such relation.

"Wages are determined by the ratio between the amount of capital devoted to the payment and subsistence of labour and the number of labourers seeking employment."

"Rent is determined by the margin of cultivation."

"Interest is determined by the equation between the demands of borrowers and the supply of capital offered by lenders."

"Let us then seek the true laws of the distribution of the produce of labour into wages, rent and interest. The proof that we have found them will be their correlation—that they meet, and relate, and mutually bound each other."

Mr. George means here, as he subsequently explains, that if the laws are found separately, and are then found to correlate, it will show that what has been discovered is the true laws. This may be so, provided the laws are deduced from the actual facts; but it is surely possible for three correlative laws to be deduced from one fiction prepared by the previous correlation of them. Already we have an ominous premonition of farther elimination. We have heard something about a remuneration for risk, which is not profit. Is it rent, or can it be included in the enlarged definition of labour, or is it to be left out of account altogether? The importance of this element will subsequently appear.

"Capital," Mr. George continues, "is not necessary factor of production. Labour exerted upon land can produce wealth without the aid of capital, and in the necessary genesis of things must

so produce wealth before capital can exist. Therefore the law of rent and the law of wages must correlate each other and form a perfect whole without reference to the law of capital . . . and as capital is but a sub-division of the general term labour, its law must be subordinate too, and independently correlate with the law of wages, so as to fit the cases in which the whole produce is divided between labour and capital, without any deduction for rent."

To the first of Mr. George's inferences here I do not object; but the statement on which it is founded is not accurate. It is true that wealth and capital are the products of land and labour; but it does not follow that these products become wealth before they become capital. The contrary, if not always, is at least sometimes the case. If a branch of a tree is taken for a plough, it is capital before it is wealth, and becomes wealth only in virtue of being capital. So with all instruments, the cause of their being wealth is solely their being capital. It is true, however, that capital does not exercise a distinct control over industry until its management is separated from the management of land, and not till then does it acquire a distinct remuneration. Mr. George's second inference is unfounded. According to his own definition capital is the product of land and labour, why then should it become a sub-division of labour only? In point of fact we shall find that as land and capital have originally only one remuneration, so the law of their remuneration remains one after they have been separated.

They are as I have already said the two factors which in a combined form subtend and correlate with labour. Either of them apart can correlate with labour; but they can form no operative combination without it.

In lieu of farther comment on Mr. George's definitions, I shall quote from "The Economy of Consumption," Part I., Book IV., Chapter II., the definitions I have given of the same terms.

"Profit as a distinctive element of cost of production is usually regarded as the remuneration of capital. When the capitalist first comes to be distinguished from the landowner, profit is his remuneration, as rent is that of the owner. It soon appears, however, that profit is not a simple element, but that it represents a variety of constituents of production. A gross profit, in fact, represents nearly everything except the price of purchased material and hired labour, and even contains a considerable element of both of these, all, namely, that is not applied specifically to the particular product, but is provided generally for the systematic promotion of a series of similar enterprises. This arises, as already noticed, from the peculiar position of the direct earner of profit, who is responsible for the replacement of all the resources of production requiring to be replaced, and for the division of its proceeds among the various contributories who have to be rewarded. Even when purged from these extraneous ingredients, profit in the concrete still contains three distinct elements. There is the element of skilled labour exercised by the conductor of

the enterprise in which the profit is earned. There is the remuneration of capital, which is separable from profit, and which in its separate form is called interest. Lastly there is a third element which is the reward of risk, and may properly be called the remuneration of adventure. It is not very easy to show that adventure has a distinct remuneration, because it is so seldom separated from the other elements of profit; but it may be observed that the various elements enter into concrete profits in very different proportions. Sometimes the adventurer borrows the whole of his capital; sometimes he has nearly the whole work of superintendence done for him by hired labourers; and it is conceivable that he might borrow the whole of these adjuncts, and yet, as taking the risk of the adventure, be entitled to distribute the proceeds, and to claim any surplus as his own. This shows that risk has at least a theoretical claim to profit, and that it remains when all the other elements are abstracted, so that it is theoretically the distinctive element of profit."

This distinctive element Mr. George subsequently eliminates altogether, on the assumption, analogous to that which he makes with regard to capital, that "insurance," as he erroneously terms it, is simply the replacement of loss, yet we shall also find that he himself subsequently makes it, under the more accurate designation of "speculative gain," one of the largest elements of profit.

In addition to risk, it may be observed, there is attached to the earning of adventure, or speculation, the condition of initiation. It can be separated

from the ownership, but not from the use of ca
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attached to capital, and not a remuneration att
to labour.

As Mr. George regards the whole of capital
form of labour, his separation of the rewai
capital from the wages of superintendence is p
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dence remains an integral part of profit.*
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actually distinguished, and as alone capable of
observed. They will not apply to the wag
which he has observed a tendency to a mini
capable of yielding only a bare subsistence.

* It is quite possible for an employer to allow himself a salary foi
intending, but this is only an arbitrary distinction, based on what h
have paid for hired assistance: he cannot estimate the share of pr
to personal interest in what he superintends.

BOOK III. CHAPTER II.

The Law of Rent.

In the second chapter Mr. George deals with rent and the law of rent.

"The term rent in its economic sense, that is, when used as I am using it, to distinguish that part of the produce which accrues to the owners of land or other natural capabilities by virtue of their ownership, differs in meaning from the word rent as commonly used."

It is true that Ricardo and his followers use the word rent in a sense different from the common one, and it follows therefrom that their conclusions do not apply to rent in the common sense. Unless, therefore, rent, in the sense in which it is used by Ricardo and by Mr. George, can be distinguished not as a theoretical abstraction, but as a concrete thing, no practical conclusions can be drawn from their reasoning. No better authority can be cited for this inference than Mr. George himself. "Nothing," he has told us in his second chapter, "so shows the

importance of language in thought as the spectacle of even acute thinkers basing important conclusions upon the use of the same word in varying senses."

From the brevity of Ricardo's reasoning, and the inadequacy of his distinctions, it is not possible to determine whether or not he was fully aware of the abstract nature of his terms. Sometimes he appears at least to realize the great distinction between his use of terms and their common significations; sometimes, again, he seems to think that the things he calls rent, profit, and wages are distinguishable as concrete realities. In particular he reasons on the taxation of rent, as if rent, in his sense, could be distinguished. John Stuart Mill, who makes the same assumption, has himself, in virtue of that logical inconsistency that habitually distinguishes him, said that the remuneration of capital sunk in permanent improvements cannot be distinguished from rent in the Ricardian sense.*

As it is not my purpose here to go into an exposition of the true theory of rent, I shall refrain from pointing out the errors in Mr. George's definition, which are many and vital.

Mr. George says, "The 'accepted law of rent, which John Stuart Mill denominates the *pons asinorum* of political economy, is sometimes styled Ricardo's law of rent, from the fact that, although not the first to announce it, he first brought it prominently into notice. It is

* Ricardo, followed by Mill, makes one law for rent, and another, and a very different one for profit; yet we find that capital sunk in land earns an indistinguishable share of rent, and affects it exactly as a higher natural quality would do in relation to other land.

"The rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use."

"This law, which, of course, applies to land used for other purposes than agriculture, and to all natural agencies, such as mines, fisheries, &c., has been exhaustively explained and illustrated by all the leading economists since Ricardo, but its mere statement has all the force of a self-evident proposition."

Mr. George proceeds to give a long and not very cogent or relevant argument in support of the self-evidence of the proposition. In view of what is to follow in a subsequent book his unqualified acceptance of it should be carefully noted by the reader.

That which is distinctively attributed, I believe justly, to Ricardo in the theory of rent is the inference which he drew from the principle stated in the above proposition, and which is known as the theory of elimination, namely, that rent is not an element of value, or cost of production.

This elimination, as I have shown elsewhere,* does not follow from the proposition itself, and it has been objected to by authorities who accepted that proposition. As to the proposition given by Mr. George, an exhaustive discussion of it would involve an examination of the whole theory of rent, for which it is unnecessary to pause here, as the truth or falsehood of the proposition will be found to be irrelevant to Mr. George's conclusions. I

* "The Economy of Consumption." Part I., Book IV., Chapter I.

shall, therefore, only repeat here one criticism I have formerly ma de upon it.

Ricardo does not say "the least productive land in use," but "the land last entered on." He assumes that the land last entered on has a uniform value, and that production on it pays the ordinary profit without rent. Both assumptions are false. But this is the standard which Ricardo and those who agree with him, have assigned in determining rent, and not merely "the least productive land in use;" for as I have formerly pointed out, land is actually cultivated not only without rent, but also without profit, and therefore may be said to yield a negative rent. But without these two assumptions this theory could never have arisen, for there is neither a standard value of land, nor a standard rate of profit left to measure rent by. Ricardo's theory of rent stands or falls with his theory of profit. Both will subsequently be examined. (See Book V., Chapters III. and IV.)

"This then," Mr. George continues, "is the theory of rent. Although many standard treatises follow too much the example of Ricardo, who seems to view it merely in relation to agriculture, and in several places speaks of manufactures yielding no rent (when, in truth, manufactures and exchange yield the highest rents, as is evinced by the greater value of land in manufacturing and commercial cities), thus hiding the full importance of the law, yet ever since the time of Ricardo the law itself has been clearly apprehended and fully recognized. But not so its corollaries. Plain as they are, the ac-

cepted doctrine of wages (backed and fortified not only, as has been hitherto explained, but by considerations whose enormous weight will be seen when the logical conclusion towards which we are tending is reached) has hitherto prevented their recognition. Yet is it not as plain as the simplest geometrical demonstration that the corollary of the law of rent is the law of wages where the division of the produce is simply between rent and wages; or the law of wages and interest taken together, where the division is into rent, wages and interest."

* * * * * *

"Wages and interest do not depend upon the produce of labour and capital; but upon what is left after rent is taken out; or, upon the produce which they could obtain without paying rent, that is, from the poorest land in use, and hence, no matter what is the increase in productive power, if the increase in rent keeps pace with it, neither wages nor interest can increase."

* * * * * *

"All this is exemplified in actual fact."

In the fifth chapter of last book I showed how Mr. George insists on an apparently barren proposition in contending against the limitation of labour by capital on the ground that labour can be conducted without it. We now see the significance of this assertion, as Mr. George makes the standard of wages as well as of "interest," what can be pro-

duced by their earners respectively on "the poo land in use." We shall have occasion again to r to this proposition when we come to the cha establishing the separate law of wages.

It is to be noted that Ricardo's theory of r although I shall have occasion subsequently to s that Ricardo does not consistently adhere to makes rent the surplus of produce above ordinary rate of profit and the ordinary rate wages, so that it is not rent that determines rates of profit and wages, but the rates of profit wages that determine rent.

It will also be noted that Mr. George has at discovered some land of which the fertility is inexhaustible. It will be found that in his sequent reasonings he makes great progress in discovery. Inexhaustibility, in fact, would ap only to belong to rent-paying land, after it ceased to pay rent, that is to say, all the i haustible land at present pays rent based on productiveness of the exhaustible, and rent, cordingly exhausts it.

BOOK III. CHAPTER III.

"INTEREST."

MR. GEORGE entitles his next chapter, "Of interest and the cause of interest." I have put the abbreviated title I have given this chapter in inverted commas to spare a preliminary analysis of the term, as it may already have become apparent that it is very unlikely to retain its ordinary meaning under Mr. George's handling. It may be premised that interest in the ordinary sense is a part, and not altogether a simple one of profit; but being only a part of the threefold, concrete division of the proceeds of industry, its economical position is subordinate to, and not independent, as Mr. George would have it, of that of profit. I may also say here that the true nature of all concrete distinctions, which are the realities with which economics have to do, is not that they are pure elements, but that some element predominates in them: thus interest may be defined as that section of gross profit in which the element of remuneration for capital pre-

dominates, as net profit, which may or may not include interest, is that part in which the predominating element is the remuneration of adventure.* When a man risks his own capital on an adventure, what he earns is profit, not interest; when he risks the capital of another, what he earns, after deducting the interest he pays, is still profit, and relatively to interest, net profit; when he lends capital to another to risk, what he earns is interest not profit, although there is an element of profit in it, in the compensation he receives for the risk he runs.

Mr. George begins: "Having made sure of the law of rent, we have obtained as its necessary corollary, the law of wages, where the division is between rent and wages; and the law of wages and interest taken together, where the division is between the three factors."

"But without reference to this doctrine let us seek each of these laws separately and independently. If, when obtained in this way, we find they correlate, our conclusions will have the highest certainty."

We are now approaching one of the purest and most original efforts of Mr. George's genius as an economical reasoner, and the result will be found in the highest degree interesting and instructive, both as a specific psychological study, and as a type of intellectual development. For although one individual never entirely resembles another, there is

* I do not mean the element largest in quantity, but the governing or determining element.

no individual entirely isolated. Mr. George is a type of a numerous class of economic reasoners; but he has the fortunate advantage to possess as his peculiar, individual idiosyncracy, a remarkable degree of candour, lucidity of expression, and unconscious power of self-interpretation. Even the satisfaction with which he regards the perfectly scientific character of his own reasoning shines forth in the very style of his illustrative arguments.

With apologies for interrupting him at this critical moment, I let Mr. George continue:

"And inasmuch as the discovery of the law of wages is the ultimate purpose of our inquiry, let us take up first the subject of 'interest.'

"Interest as an abstract term in the distribution of wealth* differs from the meaning of the term as commonly used in this that it includes all returns for the use of capital, and not merely those that pass from borrower to lender, and that it excludes compensation for risk, which forms so great a part of what is commonly called interest. Compensation for risk is evidently only an equalization of return between different employments of capital. What we want to find is, what fixes the general rate of interest proper? The different rates of compensation for risk added to this will give the current rates of commercial interest."†

Here we have compensation for risk eliminated

* If interest is an abstract term in the distribution of wealth, must not its correlatives rent and wages be so also, and when we have attained the law of wages, the ultimate purpose of our inquiry, what will we have found but the law of an abstract term?

† Surely he ought to say commercial profit.

from the distribution of wealth, on the same plea as the share of the produce of industry that goes to capital is eliminated from the distribution of the gross proceeds, that it is a mere balancing or compensatory element. If it is excluded from interest, the choice, in fact, lies between this conclusion and making compensation for risk a part of rent or wages: yet Mr. George himself subsequently insists that this compensation constitutes a very large share of profit in the concrete.

If there is risk, as there unquestionably is, in every employment of capital, the remuneration of risk cannot be a mere equalization of different kinds of employment, but must be a positive element of the remuneration of all; nor is this remuneration to be regarded as a mere return to the aggregate number of those who have incurred risk of the aggregate amount of their losses, but a positive gain to the aggregate incurrers upon all the losses incurred by particular members of their body. Those who are liable to risk when they escape loss pocket a specific profit in consideration of the risk they have run, and this profit is in the aggregate more than equal to all the losses incurred. This is substantially asserted by Mr. George himself when he comes to speak of speculative profits.

Mr. George goes on to observe that the greatest differences in ordinary interest are differences of risk, but between different countries and different times there are also considerable variations of interest proper. In commenting on the failure of the common doctrine he says, "that interest does

not depend upon the productiveness of labour and capital is proved by the general fact that where labour and capital are most productive interest is lowest."

He then proposes to make sure of the law of interest by first ascertaining its cause. "Why should the borrower," he asks, "pay back to the lender more than he receives?" Note that we are here already embarked on an inquiry into the cause or reason of interest not in Mr. George's, but in the common sense. The answer to the question put might obviously be, "because the lender might otherwise earn something by the use of his capital," and what Mr. George wants to know is, "Why should a man earn anything by the use of capital?"

Mr. George discusses at great length an illustration of the nature of interest borrowed from another writer given to that mode of argument, Bastiat, in which James lends a plane to William. In reasoning on this illustration Mr. George combats Bastiat's view that James is entitled to interest, and gives it as his opinion that if one carpenter lends another a new plane at the beginning of the year and receives back another at the end, there is nothing farther due. Then follows this conclusion: "I am inclined to think that if all wealth consisted of such things as planes, and all production was such as that of carpenters, that is to say, if wealth consisted but of the inert matter of the universe, and production of working up the inert matter into different shapes, that interest would be but robbery of industry, and could not long exist."

The coolness with which Mr. George settles the laws of nature with an "I am inclined to think," will be duly admired. If this is the result of his being "inclined to think," what would happen if he were certain? Such vulgar considerations as that lending is inconvenient and disadvantageous and borrowing convenient and profitable are beneath Mr. George's philosophy. Arguing in this aërial fashion he is on the fair way to make admirable political economy for thieves, or for those who hold that property is theft, which, in respect to capital, Mr. George distinctly declares that he does not.

What are such things as planes? They are instruments of production, or to speak more generally, of industry. Cotton, when it has ceased to grow is as much "inert matter" as a plane, and to perform operations on it analogous to those of planes on wood, vast and complex masses of machinery are constructed. Upon Mr. George's principle if a man lets a cotton-mill he ought to get no rent, or if he works it himself, no profit, for this is interest in Mr. George's sense. Again, according to Mr. George's definition, commerce is a branch of production. A loan for a hundred years is the same as a loan for a year. Thus if a company raises ten millions to construct a railway, or two millions to build a line of steam-ships, and lets the property to another for a hundred years, neither the company that lends, nor the company that works ought to make anything. The latter, however, at the end of the hundred years ought to return a new railway or a fresh line of ships

though where they are to get it when the whole thing would have been worn out three-quarters of a century before, it would require the imagination of Mr. George to discover.

Things being so, the reader will, perhaps be puzzled to know what can be the legitimate source of interest. This is Mr. George's discovery, and he announces it with the air of a man whose penetration has been profoundly exercised to reach it.

"There are," he says, "kinds of wealth which increase independently of labour by the active powers of nature, "that is, by the principle of growth or reproduction," and it seems to me that it is this which is the cause of interest, or the increase of capital over and above that due to labour."

Clearly the modesty of a Newton could not have sufficed to announce such a discovery in a less ostentatious way, and we shall find that even the dexterity of Ricardo could not more rapidly have turned a conjecture into a certainty. What is most remarkable about this singular theory is that its one trait of originality lies in its application. Mr. George having no occasion to account for the legitimate existence of rent, which he purposes to deny altogether, takes the physiocratic theory of the source of rent, and converts it to the use of "interest." What is strange is that he does not see that in doing this he transfers to interest the very objection to the legitimacy of rent. It is because the produce due to the natural increase of the soil is supposed to be constituted without the exertions of the landlord that so many theorists

have objected to rent, now Mr. George tells us that the source of interest is the reproductive forces of nature. Thus while it is unlawful for a man who pretends to be an owner to appropriate these, it is quite lawful for a man who professes to be a borrower to do so. Such logic, surely, ought to empty the jails, and set the burglariously disposed gentleman upon the judicial bench to refill them with a new class of offenders.

The *physiocrates*, like Mr. George, held that the only productive industry was that aided by the productive powers of nature. They believed that rent was naturally the net produce of that productiveness, that rent accordingly was the only source of revenue capable of bearing taxation, and that, in fact, a definite proportion of rent actually belonged to government.*

If this doctrine were true, it would be no "land gospel," for it follows from it that all taxes fall upon rent now, as contended by Dr. Chalmers, who held the same view, and the class that would profit by imposing taxation directly upon rent would be the landowners, who would pay their taxes more economically by paying them directly, than through "farmers of the revenue," as the non-productive taxpayers would really be. John Locke, who anticipated the doctrine of the *physiocrates*, takes this view. He says, as quoted by Professor Dugald Stewart ("Lectures on Political Economy," Part I. Book II., Chap. I.), "A tax laid upon land seems hard to the landholder, because it is so much money

* Mercier de la Rivière.

going visibly out of his pocket; and therefore, as an ease to himself, the landlord is always forward to lay it upon commodities. But if he will thoroughly consider it, and examine the effects, he will find he buys this seeming ease at a very dear rate. And although he pays not this tax immediately out of his own purse, yet his purse will find it by a greater want there at the end of the year than that comes to, with the lessening of his rents to boot, which is a settled and lasting evil that will stick upon him beyond the present payment."

The converse of this argument plainly is that if rent is lowered by more than the amount of the taxation by placing taxation upon commodities, it will be raised by more than the amount of the taxation by placing taxation upon rent.

The whole view of the *physiocrates*, however, is founded on false reasoning. That which they urge with terrible insistency and reiteration, that all industry bestowed on the processes of bringing raw material into the form of commodities ready for use is "unproductive," is an utter delusion. No doubt it is the production of raw material alone that adds to the quantity of material products actually exchangeable, and the processes of manufacture actually diminish that quantity. Here, then, apparently, we have not an increase, but a diminution of wealth.* Now the capital mistake of this reasoning is that those who have adopted it have omitted the necessary precaution of inquiring what wealth is. Surely

* They, however, allow that an unproductive labourer replaces, but without increase, the capital necessary to maintain him.

material wealth consists of commodities useful to men. But of what use to men is raw material? It is useful as capital, or the means of producing useful commodities. Directly it is not wealth at all, but its utility as capital gives it a value in exchange, and thus renders it indirectly wealth to its possessors. But the exchange value of raw material is necessarily less than will be the value of the commodities taken in the aggregate into which it will in due course be converted. The ratio of the value of the raw material to that of the finished commodities is determined by the quantities of labour required respectively in the primary and the subsequent processes, together with the incidence of the conditions under which the various contributions of labour are rendered, including rent, skill, &c., not by quantities of labour alone (however artificially computed) as maintained by Ricardo and his followers. It is, then, the labour and its contingent conditions that gradually give value to material objects, and these objects acquire value solely in relation to their finished state. That they are exchangeable at all in their rudimentary forms is due solely to the expectation that they will be finished, as has already been pointed out in relation to Mr. George's uncompleted ship. Whether we regard wealth, then, as consisting in degree of utility, or in exchange value, we see that the raw material held by a community is only a fraction of its wealth; and the wealth of that fraction has from the first only inhered in the utilizable portion of the material. All that is rejected in production is waste. Now rent upon agricultural

produce, or raw material, is only a fraction of this raw material, definitely determined by a natural law. Moreover, notwithstanding the teaching of our own economists, the earners of rent have, like all the other contributors to industry, their own industrial responsibilities. Surplus rent is the capital of the soil, and its natural destination is towards the maintenance and improvement of the landlord's source of revenue. Thus, instead of being the only free revenue of a community, rent is no more free to bear taxation than any other part of the revenue.

Adam Smith has fallen into the very error he condemns in the *physiocrates** in stigmatizing as unproductive the labour bestowed on services designed to bring commodities within the actual range of use, and which he calls "menial" services, and he gives as bad reasons for doing so as they could possibly give for their opinions. He says "It seems on this account (that producing labourers reproduce their capital), altogether improper to consider artificers, manufacturers and merchants in the same light as menial servants. The labour of menial servants does not continue the existence of the fund which maintains and employs them. . . . It is upon this account that in the chapter in which I treat of productive and unproductive labour, I have classed artificers, manufacturers and merchants among the productive labourers, and menial servants among the barren or unproductive."

* The ultimate notion of the *physiocrates* seems to have been that the value of the finished product of perfected labour was only an equation with the value of all the labour, &c., put into it; but this is true in exactly the same sense of the value of raw material.

Adam Smith has got considerable credit for his exposition of the advantages of division of labour. Anything more flatly contradictory of his teaching in relation to that subject than what he says here it would be impossible to conceive. If commodities are of no use until they are completed, it is equally certain that they would remain useless unless they were applied. The domestic labour of a wife or servant is, therefore, as much a contribution to the wealth of the community as the labour of the husband or master. Moreover it does replace the material capital by which it is supported. If a man had to cook his own dinner, make his own bed, mend his own clothes, he would do less productive work; so what he is enabled to do by his wife's contributing of these services is her contribution to production.

Adam Smith has no doubt been led into this error by the notion that a community was liable to be impoverished by an excess of menial labour. So it is; and it is also liable to be impoverished by an excess of productive or of distributive labour.* To imagine that the former danger is greater than the latter is not, as I hope to show, consistent with an accurate knowledge of the working of competition. At any rate, it is surely a better means of avoiding either excess to consider all labour related to the supply of physical wants, as related to industry, and coming within the range of economical investigation, than to exclude part of it with the brand of barren and unproductive.

* Unused commodities may make a vast addition to labour, but what possible addition can they make to wealth? Ill distributed commodities, again, never make an addition to wealth commensurate with their addition to labour.

The error, in my opinion, does not consist in distinguishing a section of labour as directly contributing to production, but in stigmatizing any labour as "unproductive." If a correlative is wanted for productive labour, the proper term is non-productive. Unproductive labour signifies labour that is intended to be productive, and fails to be so, or at all events, insinuates an inferior utility in the labour so designated, as is evidently intended by Adam Smith when he couples the term with barren. Non-productive labour simply means labour which has a different object from production.

This distinction, however, like most classifications in political economy, has been attended with great confusion from neglect of the real nature of the things distinguished. As in the distribution of wealth, so in the distribution of labour, there are no absolute dividing lines. Productive labour in a strict sense is labour that more or less durably modifies the form, and is designed to enhance the utility, and also to increase the exchange value, of a material commodity. This distinguishes it in theory both from distributive and domestic labour. But in fact many processes of distribution go on in subordination to production, which cannot be completed without them. Seeing this, many have included the whole of distribution in production. But this does not make either a more complete, or a more useful division. Sometimes it is desirable to distinguish those processes that come within the range of exchange from production, as distributive. Sometimes the final stage of distribution, distribution to those who are to consume the products of industry, not as

instruments or materials of production merely, but as commodities, has to be distinguished from production, including the purely subordinate forms of distribution. Domestic services can be clearly distinguished from production and distribution only in as far as they are performed by a distinct class.* The term menial is a very unfortunate and inaccurate one to distinguish these services, and perhaps domestic is also too exclusive. I believe I have formerly used the word non-industrial to distinguish them from productive and distributive services combined, but this is only a negative designation, and I consider them as coming within the range of industry in its widest sense. Perhaps some such term as ministerial might be applicable.

Adam Smith erroneously coincides with the *physiocrates* as to agricultural industry being more productive than manufacturing.

It is a singular but logical result of Mr. George's theories, that the reply to his grand and final conclusion "the remedy," as he calls it, should be elicited by an incidental discussion on a subordinate point.†

We have not yet done with Mr. George's theory of interest. There is a difficulty in relation to Mr. George's theory. Interest is not, as a fact, confined to things which increase naturally. It is earned indifferently by any kind of wealth, simply in proportion to its value as wealth.

* The only difference between the baking of a loaf by a baker or the cooking of a dinner by a restaurateur and the same processes performed by a domestic servant is that in the one case they are done within, in the other beyond the range of mercantile exchange.

† This happens because Mr. George has not thought fit in the construction of his system of doctrines to consider the incidence of taxation. Had he arrived at any just view of this subject, it would (to borrow a metaphor from Boyle Roche) have nipped his remedy in the bud.

Here is Mr. George's manner of dealing with this difficulty: "Primarily the benefits which arise from use go to labour, and the benefits which arise from increase go to capital. But inasmuch as the division of labour and the interchangeability of wealth necessitate and imply an averaging of benefits, in so far as these different modes of production correlate with each other, the benefits that arise from one will average with the benefits that arise from the others, for neither labour nor capital will be devoted to any mode of production while any other mode which is open to them will yield a greater return. That is to say, labour expended on the first mode of production (adapting) will get not the whole return, but the return *minus* such part as is necessary to give to capital such an increase as it could have secured in the other modes of production, and capital engaged in the second and third modes (growing or exchanging) will obtain not the whole increase, but the increase *minus* what is sufficient to give labour such reward as it would have received if expended in the first mode."

The first remark to be made on this explanation is that it is not true. Whatever may be the distinction between the benefits derived "from use," and the benefits derived from increase, it is not true that the reward of labour and capital respectively ever depended on such a distinction, and even if we accept Mr. George's assurance that it did so primarily, the object of his explanation appears to be to inform us that it does not do so now. And notwithstanding Mr. George's previous assurance of the identity of the results of organized witht hose of un-

organized labour, we may well believe that it does not. How capital having all the advantages, should "correlate," and share its advantages with capital having no advantages at all, it is difficult to understand; and what Mr. George seems really to be trying to explain is that the latter kind must share in the productiveness of labour, which is exactly what he had previously endeavoured to deny. According to Mr. George it would seem that the capital which has no advantages is essential to the production or use of that which has, and that its remuneration is derived from its utility. The labourer and the capitalist are paid according to the relative utility of their contributions to industry, and the degree of that utility is measured by the supply of it relatively to the demand for it at each particular moment. This is true, but is a complete contradiction of Mr. George's theory. Mr. George's analysis is as abstract as his definitions, and both are pure fictions.

It will be noticed that Mr. George regards exchange as a source of increase. He does so on the usual ground of economists, that more of one commodity can be produced at one place and more of another at another. But this is not a source of actual increase, but only of variety. If I insist that one of my beverages shall be tea, I shall certainly get more of it by sending to India or China than by growing it in England, but the same labour might be equally productive at home in providing some other commodity, such as beer.

BOOK III. CHAPTER IV.

Spurious Capital.

Mr George devotes his fourth chapter to pointing out certain kinds of spurious capital. "Land values" are not capital; "a government bond" is not capital; unless the value it represents has been used for productive works. Likewise railway bonds are capital, "but they can only be so considered in so far as they actually represent capital, and not as they have been issued in excess of the capital used." Monopoly is not capital. Profits due to the element of risk are not the remuneration of capital.

It is hardly necessary seriously to discuss these futile distinctions. I have already pointed out that the term capital is used in various senses according to its correlation with other terms. Thus bonds are always capital to the holder, and they are always a charge on, or diminution of, the capital of the issuer. It has to be noted, however, that some of the things which Mr. George excludes from capital cannnot be included either in land or labour. The remunera-

tion of risk, for example, is directly related to the use of capital, the thing liable to be lost, and not either to land or labour.

Mr. George summarizes the view he contends for in this chapter in one sentence: "Nothing can be capital, let it always be remembered, that is not wealth."* The object of this contention is significantly indicated in the following passage at the close of the chapter.

"Now, taking the great fortunes that are so often referred to as exemplifying the accumulating power of capital, the Dukes of Westminster, the Marquises of Bute, the Rothschilds, Astors, Stewarts, Vanderbilts, Goulds, Stanfords and Floods, it is upon examination readily seen that they have been built up, in greater or less part, not by interest, but by elements such as we have been reviewing."

Mr. George here mixes up two classes of incomes, those derived from agriculture, and those derived from commerce. Whether "land values" are capital or not, rent when realized, is certainly capital. It is part of the wealth of the country, and is capable of being applied to any kind of industrial use. It is surely wealth in course of exchange. If mercantile gains do not accrue to capital, surely they are not derived from land; they must, therefore, be due to labour, and how will it help Mr. George to account for the poverty of the reward of labour to show that the greater part of the wealth usually regarded as the return of capital really

* He means, for example, that land is not capital: but land is certainly wealth.

belongs to it? Such is the crudity of Mr. George's classification. Mr. George remarks that many of these gains spring from a destructive, not from a constructive power. Yet they are the gains of commerce, which Mr. George regards as a source of wealth. They also constitute a part of the revenue, and consequently of the capital of the community. They are the gains of a section of the community, and that section, surely, is not the landlords, nor the labourers, but the capitalists.

BOOK III. CHAPTER V.

The Law of Interest.

The fifth chapter at last reaches "the law of interest."

"It is manifest," Mr. George says, "that under conditions of freedom the maximum that can be given for the use of capital will be the increase it will bring, and the minimum, or zero, will be the replacement of capital; for above the one point the borrowing of capital would involve a loss, and below the other capital could not be maintained."

This seems to be an entirely new law, and a contradiction of all that has gone before. Are we to understand that all capital brings increase, and not merely that which is aided by the reproductive forces of nature? If not, the maximum that can be paid for the use of unproductive capital, according to the law now propounded is zero, and Mr. George has to show not that such capital is not, or would not but for "correlation" with other capital, be entitled to remuneration, but that it actually does not receive it. Besides, we know that money is actually both borrowed and lent at a loss;

so that Mr. George's limits are fictitious. He has again propounded a law not of what is, but of what he imagines ought to be. How, again, could capital be maintained, or lenders make a business of lending, if they only received back their capital?

"If the vital forces of nature," Mr. George says, "which give an advantage to the element of time be the cause of interest, it would seem to follow that this maximum rate of interest would be determined by the strength of those forces, and the extent to which they are engaged in production. But while the reproductive forces of nature seem to vary enormously . . . it appears from the way the natural balance is maintained that there is an equation between the reproductive and destructive forces of nature, which, in effect, brings the principle of increase to a uniform point. This natural balance man has, within narrow limits, the power to disturb, and by the modification of natural conditions may avail himself at will of the varying strength of the reproductive force in nature. But when he does so there arises from the wide scope of his desires another principle which brings about in the increase of wealth a similar equation and balance to that which is effected in nature between the different forms of life. This equation exhibits itself through values."

What Mr. George appears to attempt to tell us in this preposterous rigmarole of pretended reasoning is that in reality the "law" which he has discovered does not operate, but that "values" by which, apparently, remuneration is at length to be determined, are regulated by quite a different law.

The normal point of interest, he goes on to tell us, "lies between the necessary maximum and the necessary minimum of the return of capital," and it "must, wherever it rests, be such that all things, such as the feeling of security, desire for accumulation, etc., considered, the reward of capital and the reward of labour will be equal, that is to say, will give an equally attractive result for the exertion or sacrifice involved."

Who could have imagined this would have been the result of the derivation of the rewards of capital and labour from two independent sources? In order to make good his former proposition, Mr. George ought to have shown that the "benefits derived from use" and the "benefits derived from increase" are distinct and separable in the products of industry, and that the former substantially constitute wages, the latter "interest." Instead of doing this he has substantially, apart from the artificiality and inaccuracy of his terms, informed us that the remunerations of capital and labour respectively are determined by competition, in accordance with the law well known as that of supply and demand. After telling us first that capital is a subordinate element of labour, and then bringing us through an independent law for each, this is surely a sufficiently farcical result, of our investigation. It all but surpasses the great doctrine of Book I., that "demand determines the direction of supply."

"This relation fixed," Mr. George says, "it is evident that interest and wages must rise and fall together, and that interest cannot be increased with-

out increasing wages; nor wages lowered without depressing interest."

This inference rests entirely upon the fallacious part of Mr. George's premises, that wherein he asserts that the reward of capital and the reward of labour "will give an equally attractive result for the exertion or sacrifice involved." Mr. George supports his inference with this additional argument: "For, if wages fall, interest must also fall in proportion, else it becomes more profitable to turn labour into capital than to apply it directly; while if interest falls, wages must likewise proportionately fall, or else the increment of capital would be checked." To this argument it is only necessary to reply that labour cannot be turned into capital, and that labourers cannot be turned into capitalists in sufficient numbers to produce an equality of advantages between the two. The notion of an equilibrium of reward, proportioned to "the exertion or sacrifice involved," in the employment of factors so different as labour and capital is simply unintelligible. If we turn from Mr. George's *a priori* reasoning to the fact, it is clear that the sacrifice required from the individual capitalist is less, and the reward he receives is greater, than is the case with the individual labourer. But when Mr. George adds the caution, "meaning always by interest the return which capital can secure, less insurance and wages of superintendence," we see that the real labourer gets no nearer to equality with the capitalist than before, and the confusion is made perfect. The whole structure of Mr. George's incoherent scheme of industrial relations exists only

in his own brain: it never has existed, or could have existed anywhere else. He concludes with the following proposition:

"The relation between wages and interest is determined by the average power of increase which attaches to capital from its use in reproductive modes. As rent arises, interest will fall as wages fall, or will be determined by the margin of cultivation."

Rent "arises" is in the proposition, printed in italics. It is possibly a misprint. The first part of this proposition contains Mr. George's own baseless hypothesis, or a part of it, in respect to the relation between "interest and wages;" the second part contains Ricardo's hypothesis on rent, applied to the relation of rent to "interest" and capital combined.

The first part of the proposition is manifestly incomplete. It tells us, indeed, that wages are determined by the relative productiveness of capital, and consequently we must assume that they vary constantly with interest; the ratio they bear to interest is uniform: but what is that ratio? Surely it would have been easy to tell us. Indeed, we have been told that the remuneration of wages comes from the advantages of use, and the remuneration of capital from the advantages of increase; but this does not seem to mean the same thing as that the ratio of both is determined by increase, nor is the average increase which attaches to "capital" the same as the increase due to the reproductive powers of nature. Whether in the second part of the proposi-

tion "insurance" and "wages of superintendence" are included in, or excluded from, "interest" and "wages," we are left in the dark.

If Mr. George had wanted to know whether profit and wages, for it is useless to speak of shadows, really rise and fall together, he might have saved all his involved reasoning by first taking the trouble to inquire what he meant by the expression, and then looking at the facts. If the proceeds of industry, or the revenue of the community, are distributed into three sections, it is evident that if these proceeds increase, all the sections may increase; but they need not all increase, nor need they all increase in the same ratio. It is only necessary that one should increase. In like manner if the proceeds diminish, all may diminish. If the proceeds remain constant, and if one increases, the other two in the aggregate must diminish; but both need not diminish, much less need they diminish in the same ratio. These conditions apply to all the sections indifferently.

Now profit and wages are two out of three sections of the revenue of the community. If the produce remains constant the fall of rent necessarily means the rise of the other two in the aggregate, but not necessarily of both separately, just as the fall of wages means the rise of rent *plus* profit, and the fall of profit the rise of rent *plus* wages. Thus and not otherwise.

Now if we look at the direct facts we shall see that there is a tendency for profits and wages in particular trades to rise and fall together. When

profits in any trade are high, wages will commonly be high also; when profits are low, wages will also be low. But these movements, though in the same direction, are not uniform, and it is obvious to observation that the fluctuations of profit are greater than the fluctuations of wages. The causes of these movements will subsequently be examined more in detail. It may be added that there is a tendency towards a species of equilibrium in the ratio of profits and wages; but it is a Ricardian tendency, that is to say, one of several influences which combine to produce a result, and not the whole of these influences. The equilibrium to which it tends also is an equilibrium of opportunities, not of advantages. High wages tend to increase the number of labourers and high profits the amount of capital.

Mr. George adds a comment to his final proposition, to say that it shows that capital is but a form of labour. What, then, has all the fuss been about? If capital is a form of labour, "interest," "insurance," and "wages of superintendence," need not have been separated at all, for they are all parts of wages, and we know that wages "tend to a minimum of bare subsistence." This is, in fact, the conclusion to which we are being conducted. Ricardo had a similar doctrine, which it will behove us subsequently to examine, as to the ultimate tendency of things, but he was not guilty of the absurdity of attempting to account for present poverty by the assumption that it is shared by capitalists, or that they owe their exemption from it to rent.

BOOK III. CHAPTER VI.

The Law of Wages.

We now reach the sixth chapter of this book, that entitled "Wages and the Law of Wages."

"In their degrees," our author says, "wages rise and fall in obedience to a common law. What is that law?"

Having stated that there is a tendency to equality "for equal exertions under similar circumstances," a most curious and unrealizable sort of tendency, seeing that exertions vary from grade to grade of society, and circumstances change, without bringing the various grades nearer to each other in the ratio of remuneration to exertion from year to year, and from age to age, he asks, "what, in circumstances of freedom, will be the terms at which one man can hire others to work for him?" By some curious relapse, it will be seen, we have got back to hired labour. "Evidently," he answers, "they will be fixed by what the men could make if labouring for themselves."

Is he sure that "in circumstances of freedom" men could be hired to work at all? Hiring manifestly originates in the inability of men to work advantageously in isolation, or to organize themselves without a master. If there were a state of freedom to contrast with it, hired labour would evidently bring a higher price than free, for it is of some value to every man to be his own master, and this freedom in most cases would be highly prized. The "men" in the plural is evidently a surreptitious suggestion of co-operation without the conditions of organization.* Thus, the law of wages, although Mr. George says at the beginning of the chapter that it has already been obtained by inference, is, we may see, about to be founded on a fresh illusion.

Unorganized labour can barely support itself when it has all the resources of a fairly fertile region at its command. In a community with an organized industry all natural resources of any value are commonly appropriated, while a large portion of the community is without a hold on these resources, except through the appropriators. To suppose that upon such resources as are accessible to them this section of the community, or any portion of it, could earn a maintenance is absurd. If the standard of wages, then, is what a labourer can earn by his own free and unaided exertion, it is no

* I use the term co-operation generally. Mr. George does not appear to prefer co-operation in the more common sense to competition; but he thinks he can have the results of organization without its costs, its hazards, and its effects on distribution. In Book V., Chapter I., he expressly assumes competition without monopoly of land to be perfect; yet he uniformly speaks of the actual results of competition as robbery of labour.

wonder the reward of labour is poverty, for that amount of earning, in a country with an organized industry, is exactly nothing at all.

In a primary state, Mr. George says, wages are the full produce of labour; when rent is introduced they fall to the produce at the "margin of cultivation." Supply and demand, he says, is limited to the regulation of the differences of wages in different employments. In the aggregate he says that "supply is demand, and demand supply," a Ricardian proposition, the exact wording of which I believe originates with James Mill, who like Ricardo and his (Mill's) son, treated production as the aggregate of industry. The proposition has been shown by Malthus to be in any practical sense meaningless.

"The law of wages we have thus obtained," says Mr. George, "is that which we previously obtained as the corollary of the law of rent, and it completely harmonizes with the law of interest."

A manifest instance of pre-established harmony.

"It is that wages depend upon the margin of production, or upon the produce which labour can obtain at the highest point of natural productiveness open to it without payment for rent."

Was there not recently a distinction between the remuneration of capital and labour that the former depended on productiveness, the latter on use?

If land even at the "margin of production" were free to labourers, their occupation of it would obviously not bring about an equality of remuneration among those who occupied it. All the uncultivated land is not of the same quality, and

those who got on to the best quality of land would earn higher wages than the others. Why should it be they, as Mr. George alleges, that should determine the rate of hired wages, when the others would be most in want of employment?

Possibly what Mr. George has intended as his distinction between "interest" and wages is that the labourer gets what he could earn by working without capital on unappropriated land; and that the capitalist gets whatever in addition to this he is able with the aid of the labourer to take out of the land. Thus the workers in a particular cotton mill in Manchester receive in wages as much as they would earn by ploughing a particular field in the country, and the mill-owner earns what more he could get out of the same field by working it with their aid. The first remark that may be made on this hypothesis is that such a form of co-operation, is obviously without motive to the workers as they get no more with a master than without one. Farther, as it is obvious that labourers without capital can earn nothing at all, it comes exactly to the same thing as the proposition quoted above. Before such conditions could practically influence wages, they would require not only to exist, but to be distinguishable; but if unsupported labour can earn anything, it is obvious there is no opportunity of telling what it is. If we should allow Mr. George to amend this proposition by allowing for differences of capacity, training and demand, this would simply take us back to the elementary proposition that the wages of labour are according to the capacity of the labourers and the demand for

their services. As to the differential rates of wages, it would amount only to saying that they resulted from differences of circumstances.

If there is a general law of wages, it must be a law to which, in spite of differences and fluctuations, all particular wages conform, of which, in short these differences and fluctuations form a part. Mr. George has given us a law to which no particular wages under any circumstances conform. Nay, so perverse are wages, that in the very circumstances in which they might be expected to show most obedience to Mr. George's law, they do exactly the reverse of what it directs. Without capital, whether his own or another man's, the labourer can obviously earn nothing, or next to nothing; but when the remuneration of a particular industry declines, it is the capitalist and not the labourer who earns nothing. An employer may go on for a time at a loss, and fail to pay his rent; but if he ceases paying wages, he will very soon come to a stand.

If there is a law of wages, it cannot be an *a priori* law. It must be based, at least on competition, and the conditions of supply and demand.

In Chapters VII. and VIII. of his third book Mr. George treats of "The Correlation and Co-ordination of these laws," and "The Statics of the Problem thus explained." It is unnecessary to notice these farther than by a single quotation from the latter chapter.

"There is, indeed, a marked resemblance between the science of political economy as at present taught, and the science of astronomy as taught previous to the recognition of the Copernican theory."

BOOK IV. CHAPTER I.

"Dynamics." Effect of Population on Rent.

Mr. George's fourth book treats of "the effect of material progress on the distribution of wealth," or as, following the phraseology of John Stuart Mill, he calls it, the "dynamics" of the problem. In the first chapter he tells us that: "In identifying rent as the receiver of the production which material progress gives, but which labour fails to obtain, in seeing that the antagonism of interests is not between labour and capital, as is popularly believed, but is in reality between labour and capital on the one side, and landownership on the other, we have reached a conclusion that has most important practical bearings."

I have already pointed out, what is sufficiently obvious, that, as regards the division of produce the antagonism is necessarily between any one of the three factors and the other two. Yet all have a common interest: that the division should be just. The immediate or ill-understood interests of the three

parties are opposed: their true interests are at one. But Mr. George treats the question in the spirit of a partisan.

Nor have we yet identified the speculative gains of commerce with rent. Mr. George himself has pronounced a large part of these gains to be "robbery of labour." If they are, his assertion of identity of interest, founded on uniformity in fluctuation of their returns, between capital and labour is simply a fiction. In Book III. Chapter IV. he says, "And just as robbers unite to plunder in concert and divide the spoil, so do the trunk lines of railroad unite to raise rates and pool their earnings, or the Pacific roads form a combination with the Pacific Mail Steam Ship Company by which toll-gates are virtually established on land and ocean. And just as Buckingham's creatures, under authority of the gold thread patent, searched private houses, and seized papers for purposes of lust and extortion, so does the great telegraph company which, by the power of associated capital deprives the people of the United States of the full benefits of a beneficent invention, tamper with correspondence and crush out newspapers which offend it."

In explaining how such things are accomplished he says: "A railway company approaches a small town as a highwayman approaches his victim. The threat 'If you do not accede to our terms we will leave your town two or three miles to one side!' is as efficacious as the 'stand and deliver,' when backed by a cocked pistol. . . . Or if where there is water communication, an opposition boat is put

on, rates are reduced until she is forced off, and then the public are compelled to pay the cost of the operation, just as the Rohillas were obliged to pay the forty lacs with which Sujah Davlah hired of Warren Hastings an English force to assist him in desolating their country and decimating their people."

I do not quote Mr. George's accusations against particular companies or classes as of any authority; but simply as showing Mr. George's opinion of how "capital" ought to act, and how it does. With respect to the charges themselves, it is pertinent to observe that "the people" for whose interests he is so concerned, behave, in respect to competition exactly like the individuals and classes whose conduct he denounces so fiercely; but taking his accusation as it is, surely it is not an accusation exclusively against landlords, who can hardly be supposed to monopolize the ocean, but against powerful capitalists; and yet Mr. George here comes forward and asks us to believe that the "antagonism" which produces poverty "is not between labour and capital," but "between labour and capital on the one side and landownership on the other." What could "landownership" without capital do to make railways, steam-ships and telegraphs? No more than labour can do to earn its own subsistence. Mr. George's theories retain the beauty of consistency, which they share in common with his definitions: not one of them relates to anything that exists.

In the second chapter of this book Mr. George

discusses what he imagines to be the fallacy of the common view of the growth of rent as due to increase of population.

"For increased population in itself, and without any advantage in the arts, implies an increase in the productive power of labour. The labour of 100 men, other things being equal, will produce much more than 100 times as much as the labour of one man, and the labour of 1000 men much more than ten times the labour of 100 men; and so with every additional pair of hands which increasing population brings, there is more than proportionate addition to the productive power of labour."

Mr. George seems to imagine that the advantages of division of labour, like the advantages of commerce, are unlimited; and yet all these advantages are crushed out by the low rents and taxes of Ireland and India. That the advantages of division of labour are already practically exhausted in every large manufacturing centre is evident from experience. If it were not so, every manufacturing concern organized with reasonable skill on a larger scale than previously attempted, would out-compete, and supersede all its rivals, while we find in reality that moderate and even small concerns can live by the side of large ones. If in agriculture division of labour has not been carried so far as in manufactures, it is not from scarcity of population, but from the want of concentration, due, among other causes, to the prevalence of a too great sub-division of land among the actual cultivators, whether proprietors or tenants. Cultivation upon an increas-

ingly large scale will prove the main direction of agricultural improvement in the future.

Mr. George pushes this argument to a remarkable extent: "Unless the descent in the quality of land is far more precipitous than we can well imagine, or than, I think, ever exists, the average production will still be increased. For the increased effectiveness which comes by reason of the increased population that compels resort to the inferior quality of land, attaches to all labour, and the gain in the superior qualities will more than compensate for the diminished production on the quality last brought in."

This argument to answer Mr. George's purpose, would require, like his arguments on population to be carried out without limit. It is, of course, in direct contradiction of the recognized fact that to apply additional labour to land already cultivated is equivalent in its effect on productiveness to taking in inferior land. Seeing Mr. George has at length reached land with a limit to its productiveness, he ought to define the boundary between it and land of unlimited productiveness. In the chapter preceding the one at present under review, he says, "it is unquestionably true that the increasing pressure of population which compels a resort to inferior points of production, will raise rents, and does raise rents." Thus he jumps the hedge of population, and lands himself alongside of Ricardo, while he tries to make his reader believe that he is still on the other side.

In the chapter we are considering, Mr. George gives a specific view of the cause of growth of rent.

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developed in the following chapter.

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BOOK IV. CHAPTER II.

Mechanical Improvements in Industry.

In his third chapter Mr. George discusses the effect of the improvement of the arts, apart from growth of population upon the distribution of wealth. "If it can now be shown that irrespective of the increase of population, the effect of improvements in methods of production and exchange is to increase rent, the disproof of the Malthusian theory will be final and complete, for we shall have accounted for the tendency of material progress to lower wages and depress the condition of the lowest class, without recourse to the theory of increasing pressure against the means of subsistence."

What is the "lowest class" here referred to? The result of our analysis hitherto has not been to define a lower, much less a lowest class, as the class specially dependent on wages. On the contrary, we have had labour and capital identified, and their rewards equalized according to the degree of sacrifice and exertion involved; accordingly any

depression of this special class cannot be due to any cause depending generally on wages: either the cause must be specialized, or the result made general.

"The effect of labour-saving improvements will be to increase the production of wealth. Now for the production of wealth two things are required, labour and land. Therefore the effect of labour-saving improvements will be to extend the demand for land, and where even the limit of the quality of land in use is reached, to bring into cultivation lands of less natural productiveness, or to extend cultivation on the same land to a point of lower natural productiveness. And thus, while the primary effect of labour-saving improvements is to increase the power of labour, the secondary effect is to extend cultivation, and where this lowers the margin of cultivation, to increase rent."

Note with what dexterity Mr. George performs the transformations of his variety entertainment, after he has thrown us off our guard by the leisureliness of his preliminary movements. We have just had presented to us the "lowest class" as representing the earners of wages, when he ducks his head and up comes "labour," inclusive of capital, and contrasted with land as representing the same interest. But lest you should be acute enough to notice this change by itself another is effected simultaneously. While bringing up the new representative of wages the nimble performer strides away from his audience in the direction of Ricardo, and we find that labour has now not only to go on to

inferior land, but to be exercised with diminishing productiveness on the superior.

But let us see to what a curious result these transformations bring us. Without increase of population we are to have increased rent from "improvement in the arts" because we are to have increased production, and consequently increased demand for raw material. But increased production without increased population means increased aggregate wealth. To whom is this increased wealth to go? If it goes to capital and labour, which are married and have taken the name of labour, we know it will be fairly distributed through all their grades. There will then be a general diminution of poverty, and though rent may absorb a portion of the increase, through the extended purchases of labour and capital, it will only do so in proportion as they are richer, and will not impoverish them. Or the increase is to go to rent. But how does it get there? Labour and capital are no better off, and have no extended purchases to make. Then it must be the landlords themselves who hire additional land from each other, and produce additional produce to supply their own wants, without employing labour and capital, which remain unproductive with all their "arts."

Listen to Mr. George in his new character: "It is important that this should be understood, for it shows that effects attributed by current theories to increase of population are really due to the progress of invention, and explains the other perplexing fact that labour-saving machinery everywhere fails to benefit labourers."

On which horn of the dilemma are we now: who are the "labourers" whom labour-saving machinery fails to benefit?

The demand for food, he says, is not limited except in having a definite minimum. "Less than a certain amount will not keep a human being alive, and less than a somewhat larger amount will not keep a human being in good health. But, above this minimum, the subsistence which a human being can use may be increased almost indefinitely." "Louis XIV.," he tells us in illustration, "besides his own wasteful use of the finest qualities of food, required immense supplies for his servants, horses and dogs."

Suppose we assume that this is not nonsense, where are indefinite supplies of food for a whole community to come from? A community contains very few Louis 14ths. It has generally only one supreme receiver of taxes, and even if he is wasteful in his household expenditure, he can hardly exhaust the nation by that. The landlords can only follow his example in as far as they receive rent out of the labour and capital of their tenants. If the tenants are poor the rents will be small or the landlords few. If the tenants are rich, surely the landlords are not to blame if they spend their wealth on inordinate supplies of food.

Now listen to Mr. George's conclusion. "And, so, every improvement or invention, no matter what it be, which gives to labour the power of producing more wealth, causes an increased demand for land and its direct products, and thus tends to force down the margin of cultivation, just as would the

demand caused by an increased population. This being the case, every labour-saving invention, whether it be a steam plough, a telegraph, an improved process of smelting ores, a perfecting printing press, or a sewing machine, has a tendency to increase rent."

Here follows the proposition in italics: "Wealth in all its forms being the product of labour applied to land, any increase in the power of labour, the demand for wealth being unsatisfied, will be utilized in procuring more wealth, and thus increase the demand for land."

The "margin of production" is rapidly becoming an improving force in Mr. George's hands; but the question is whether, notwithstanding it, wealth actually increases; if it does increase is "labour" not better off, and if it does not, who pays the increased rent, there being nobody left but the landlord? After profusely illustrating the principles he has laid down, Mr. George continues,

"But, as I shall presently allude to a cause, as yet unconsidered, which constantly tends to lower the margin of cultivation, it is not worth while to take into account these perturbations in the downward movement of the margin of cultivation, and the upward movement of rent. All I wish to make clear is that, without any increase in population, the progress of invention constantly tends to give a larger and larger proportion of the produce to the owners of land, and a smaller and smaller proportion to labour and capital."

Thus the transition is complete, and the progress

of improvement goes on, deliberately impoverishing the community that pursues it, with the exception of a few dozen landlords.

For, adds Mr. George, "as we can assign no limits to the progress of invention, neither can we assign any limits to the increase of rent, short of the whole produce."

Mr. George formerly told us (Book II., Chap. III.) that "what we draw from a limited extent of land may temporarily reduce the productiveness of that land, because the return may be to other land, or may be divided between that land and other land, or, perhaps, all land; but this possibility lessens with increasing area, and ceases when the whole globe is considered." He also informed us that commerce places the wealth of the whole globe at the disposal of every part of it. It is difficult, in these circumstances to understand how any community should pay away all its produce in rent on the raw material used in producing it, when it might get its raw material in unlimited quantity from abroad, unless upon the supposition that all other communities are equally stupid.

But as population cannot exist without means, we have now reached an inverted law of population, adapted to the existing organization of industry, that is to say, created by rent. Mr. George does not shrink from stating it:

"And no matter how small population might be, if anybody but the landlords continued to exist, it would be at the whim, or at the mercy of the landowners, they would be maintained either for the

amusement of the landowners, or as pauper their bounty.

"This point of abstract perfection of labour-s inventions may seem very remote; but it is a towards which the march of invention is ever more strongly tending." "In the improve which advance rent," we are further told, "a only to be included the improvements which di increase productive power, but also such imp ments in government, manners and morals, directly increase it."

Now this is not a process which is to be menced at some future epoch: it has been goi for centuries. Why, then, are not the populat the improving countries gradually declining i ratio of their improvement, and if improveme morals, etc., tend to produce such a result, w mistake it must be to inculcate such improve and why cannot Mr. George himself let I India and Turkey alone? Surely their bad g ment ought to increase their wealth and exte population.

BOOK IV. CHAPTER III.

The Speculative Effect of Progress: Mr. George's System Completed.

In the fourth and last chapter of his fourth book Mr. George states "the cause not yet adverted to" which influences the effect of material progress on the distribution of wealth.

It is, "the confident expectation of the future enhancement of land values, which arises in all progressive countries from the steady increase of rent, and which leads to speculation, or the holding of land for a higher price than it would otherwise bring."

He farther explains that holding of suitable land for higher prices forces the margin of cultivation farther down than it would otherwise go.

If the reader has any astonishment left, he is entitled to exercise it now. In the last chapter we left "labour" in a state of collapse and poverty, nothing remaining but the landlords and their dependents. Who, then, is to speculate in land values,

and seeing that, capital being extinguished with labour, these are the only values left, wherewithal is the speculation to be carried on? Is one landlord to bid for another's land with his own, and how can this raise values, seeing that the more the one gets the more the other gives? It is, moreover, known to those who look at facts, and do not draw theories from imagination, that speculative increase of land values does not raise rent, which is the cause, not the effect of these values. Nor does speculation increase scarcity. Land is not kept out of cultivation because it is for sale. If it is uncultivated, that may be a cause for its being in the market, but its being in the market is not a cause for its being uncultivated. That which raises rent is increase, or anticipated increase, in the price of produce, or generally demand for land for use, as distinguished from demand for investment. This implies scarcity. It is also necessarily limited by the purchasing power of the community. Throughout the discussion, too, Mr. George ignores the distinction between a rise of rent along with profit and wages due to increase of aggregate revenue; and a rise of rent relatively to profit and wages. In this country, for example, rent has risen with the growth of population, but has declined relatively to the aggregate capital or revenue of the country.

We have now before us the whole of Mr. George's economic theory in so far as it concerns the existing system of industry. Besides the four books in which we have followed him, he carries his readers through other six. The fifth book is entitled, "The

Problem Solved;" the sixth book, "The Remedy;" the seventh, "The Justice of the Remedy;" the eighth, "Application of the Remedy;" the ninth, "Effects of the Remedy;" the tenth, "The Law of Human Progress." When a physician has proved his incapacity to *diagnose* the disease he has spontaneously offered to treat, we may safely decline to ask for his prescription, especially if he attaches to it a heavy charge. I decline, therefore, to ask my readers to follow Mr. George through the ponderous discussion I have indicated of his remedy.* The style in which it would be conducted he already knows. Its spirit he may guess from a single quotation from Book X., Chapter V.

"The reform I have proposed accords with all that is politically, socially, or morally desirable. It has the qualities of a true reform, for it will make all other reform seasier. What is it but the carrying out in letter and spirit of the truth enunciated in the Declaration of Independence—the self-evident truth that is the heart and soul of the Declaration, 'That all men are created equal; that they are endowed by their Creator with certain inalienable rights; that among these are life, liberty, and the pursuit of happiness.'"

It would be wholly out of place in a book like the present to criticize the Declaration of Independence. It is enough to say that the statement above quoted is sufficiently elastic to allow of either truth or falsehood being extracted from it according as it is in-

* I give in final book a summary of the leading propositions of these six books, with a few notes, which will enable the reader to see that Mr. George's "ethics" are worthy of his economics.

terpreted. But if any man says, whether on his own authority, or on the authority of any manifesto, be it that of a despot, or of a republic, that men are, or ever in this world will be equal, socially, industrially, or politically, he either does not know what equality is, or he does not know what human nature is. But that I had an ulterior object in promoting it, our inquiry might now end. That object which is indicated in the title of the book, and which I shall here explain more fully than I have already done in the preface, has induced me to add a summary and conclusion to the direct examination of Mr. George's theories, and as the first proposition of Mr. George's fifth book (contained in Chapter II.) forms a convenient text for that summary, I shall take the reader a single step into that book.

It is very plain that it is not from its intrinsic merits that I have deemed Mr. George's book worthy of a formal examination. The reader has only to look around him to see that what Mr. George writes of the existing industrial system and its results is pure fiction. To any one with a competent knowledge of elementary economical principles it is only necessary to state Mr. George's conclusions to satisfy him that it is superfluous to read a line of Mr. George's book in order to see if he has any serious reasons to give in support of them. I was so satisfied of this that even Mr. George's popularity did not for a time induce me to open his book. If a man tells me he is going to prove that men stand on their heads and walk with their feet in the air, I have not time to listen to the demonstration. My

George is not the oldest even of modern "land gospellers." There is a variety of these gospels, and several of them are certainly older than Mr. George's. One closely resembling Mr. George's was advocated, I believe,* before the publication of his book in a weekly paper called the *Radical*. Its author generously hailed his rival as an ally, and gave in his own columns a succinct exposition of his scheme, from which I have criticized it before I had read Mr. George's book itself.†

It was not so much the direct popularity of Mr. George's book that attracted me to it, as the expectation of finding in it a type of a class of economists daily becoming more numerous, and to whose views I have thought it high time that some attention should be paid by the reasoning public. I mean the class which assumes as a fundamental *a priori* principle that when anything is wrong in the social system, the individual, or group, or portion of a class, that is found out of joint with society, is suffering wrong, and is entitled to redress. I was somewhat disappointed in this object of my inquiry. Mr. George is undoubtedly a type of this class; but he is not a normal type. He differs from it chiefly in attempting to reason, or, at all events to reason systematically, on physical principles. From this peculiarity, however, I derived two unexpected advantages. I have found entertainment and in-

* As I cannot procure a copy of the *Radical* I am unable to specify the exact period.

† In three articles on the "Land Gospel" in the *Glasgow Herald*. The views directly criticized were those of Michael Davitt, and of the writer in the *Radical*, William Webster.

struction from Mr. George as a psychological study. As I have not yet done full justice to Mr. George's merits in this respect, I shall refer to them again in the following book. The other point is one to which I have carefully called the attention of the reader. Again and again I have pointed out how faithfully in his economic reasoning Mr. George follows the method of Ricardo. Now Ricardo, as I have said, is the systematizer of orthodox English economy. For this school, as the reader is already aware, I have no high veneration. It has, indeed, one good quality. It is a vertebrate system. It is morally based on the principles of individual liberty and responsibility. But it is fatally narrow in its scope, and fatally defective, or rather fundamentally false, in its method. To this latter cause especially, for which Ricardo is largely responsible, is due the impotence and decrepitude of modern English economy, and the almost complete alienation from it both of popular faith and of popular interest. Now this method Mr. George has illustrated by exaggerating. Let it not be imagined, however, that the fidelity of Mr. George's imitation is invalidated by the outrageous character of its results. What I have shown is that Mr. George is a dealer in fiction, which, for reasons of his own, to which I may again advert, he has chosen to put into logical terms and forms. Many persons have been deceived by the sobriety and sadness of Ricardo's conclusions into the belief that he is dealing with facts; but a dull and gloomy tale of imagination is not less a tale of imagination because

it is not bright and sparkling. When Ricardo uses such terms as "rent," "profit," "wages," "value," "cost of production," he is supposed to be speaking of things that actually exist, because these terms are applied to things that actually exist. But Ricardo has defined these and similar terms, and his definitions show that, except in his conclusions, he does not speak of things that actually exist. For this he is admired by many who imagine that a logical form necessarily covers a sound conclusion, and defended, as I have shown, by casuists like James and John Stuart Mill. It is my purpose in the following book to follow Mr. George to his source, to analyse the method of Ricardo, and to show that conclusions founded on such reasoning must necessarily be false.

BOOK V.

SUMMARY AND CONCLUSION.

CHAPTER I.

Mr. George as an Economist.

Mr. George says in the second chapter of his fifth book, "The reason why, in spite of the increase of productive power, wages constantly tend to a minimum which will give but a bare living is that with increase in productive power rent tends to even greater increase, thus producing a constant tendency to the forcing down of wages."

We know now that according to Mr. George's definition, supplemented by his reasoning in Book III., wages include all return for labour; that capital is a form of labour, and that the remuneration of it is in equal ratio to the sacrifice or exertion by which it is earned with the reward of labour.

In Book I., Chapter III., Mr. George has said, "It is at first glance evident that the economic meaning of the term wages is lost sight of, and attention is concentrated upon the common and narrow meaning

of the word, when it is affirmed that wages are drawn from capital."

Taking then Mr. George's terms in his own sense it is obvious that the proposition he propounds in setting out to explain his remedy is manifestly and wholly false. As it is exactly what I have already inferred from his arguments in the four books in which he has discussed the problem, I need not discuss it farther. It may be worth while in passing, however, to make the illustrative remark that the poverty of the reward of all labour fully accounts for the unsatisfactoriness of the salaries or earnings of archbishops, chancellors, leading barristers, popular authors, prima donnas, and high-class professionals. I have already noticed the fact that rent, when realized, becomes capital in the hand of its owner, so that the extinguishment of capital through the growth of rent is a fact somewhat difficult to account for, and we know, according to Mr. George himself, that if this capital is employed, it matters not whether in agriculture, manufactures or commerce, the distribution of rewards between it and labour will be equitable. In this country after Mr. George's process of impoverishment has been going on for at least a couple of centuries, we possess the largest capital, apart from "land values," ever held by any country in the world, and "wages," in Mr. George's sense of the term were never higher anywhere. If our progress towards poverty and extinction goes on at the same rate we bid fair in another two centuries to beat the growth of Adam's baby or the puppy's tail.

Instead of being now in a position to solve the problem, Mr. George has forgotten the very terms in which he himself propounded it. In his introduction he says: "It is true that wealth has been greatly increased, and that the average of comfort, leisure and refinement has been raised; but these gains are not general. In them the lowest class do not share." Instead of showing how such a result is produced, he describes a wholly different, and purely imaginary result, one that not only never has existed, but by its very conditions is incapable of existing anywhere, a result, as we have seen, deduced from premises bristling all over with self-contradiction. Moreover, he has condemned his own definitions and upset his own conclusions by warning us in advance against reasoning on our terms in one sense and applying them in another.

By what process have conclusions so remarkable been reached? In the answer to this inquiry rests the appreciation of Mr. George's merits as a systematic economist.

It cannot be said, certainly, that they are derived from a rigid application of logic to erroneous premises, for Mr. George's facts, tried by strict logic, would hardly have left a greater residuum than the Kilkenny cats.

It is more difficult to say whether, in his reasoning, Mr. George may be credited with consistency, or accused of ambiguity, in the use of terms. I have already shown that any application of his conclusions to actual occurrences cannot possibly be reconciled with his definitions; but logical processes

without real premises are a very severe exercise of intellectual ingenuity. Most people, when they reason, occasionally glance aside from the words they use to the things they intend them to signify, and when a reasoner's premises are such that it is impossible any consistent conclusions can be derived from them, it is difficult for a follower of his processes to say whether, his premises being purely imaginary, he has always consistently adhered to his imaginations, or has occasionally substituted for them the real things for which his imaginations are substitutes. As Mr. George has distinctly requested his readers to bear in mind his definitions, as otherwise he could not hope to make himself understood, I have considered it the safer course to assume that he has himself adhered to them. It really costs nothing either to author or reader to do so; for whatever meaning the reader might in charity be disposed to lend his author, it would be impossible for him to pull him out of one of the quagmires into which he voluntarily plunges. Certain even of his most extravagant conclusions looked at in this way, that is in the light of unsubstantial definition, acquire among themselves a wondrous harmony; but this is only when the conclusions are selected, and when any real application of them is kept out of view. The reader will have seen that the system which may thus be produced has a wonderful aërial elasticity and power of expansion, and it must be acknowledged that high praise is due to Mr. George for the unflinching courage with which he draws the most stupendous conclusions when the conditions of his logic require them.

And Mr. George's reasoning has a curious resemblance to logic. If it had been intended to parody the style of some celebrated school of reasoning, with a view to insinuate a suspicion of the soundness of its method, it ought to have earned for its author a distinguished success. It has all the qualities of sound logic except consistency; absence of gratuitous assumption in the statement of facts; certainty as to the meaning of terms; and coherence between premises and conclusions. There is grammatical clearness and force of language; conciseness and completeness in the form of propositions; consecutiveness in the arrangement of parts, and in the flow of language. Never, in short, was nonsense arranged to look more like sense. If Mr. George were only making a fool of us, he would be an exceedingly clever man.

The literary style, with the exception of some flaws which have already been noticed, a somewhat stronger infusion of Americanisms in the illustrative portions than appears in the argumentative, which I have chiefly cited, and the excess of rhetoric, through which pellucid medium shines the self-conceit of the author, is thoroughly appropriate to the subject. There is no obscurity of any kind, except such as arises from the nature of the propositions affirmed, and the nature of the evidence adduced in support of them. Non-technical words are used with clearness, and usually both with grammatical and logical precision.

While Mr. George is clear and precise in his statements, it is also evident that he is serious.

This is a psychological phenomenon. That any man, and especially that an educated man, capable of considerable observation, and of using with mastery the forms of literary speech, should be able to imagine that the processes of language which Mr. George has put together constitute actual reasoning upon a real subject is a marvel, of which an approximate explanation may be found in Mr. George's antecedent circumstances and opportunities. It would seem as if the power to go through long processes of involved reasoning were less a common faculty even of civilized men, than a habit developed in a few through successive ages of inherited experience. Mr. George, a citizen of one of the youngest States of a young confederation has acquired a liking for abstract reasoning; he selects a subject suited, as he believes, at once to his taste and his experience; he studies the subtlest reasoners on the subject; he catches the spirit of his models, and imitates their style and method with the instinct of an ambitious but not indocile admiration, and the result is a farrago of superficial absurdities that any unprejudiced man of common education and common sense can detect. Yet throughout Mr. George's book there runs the evidence of a profound conviction of the solidity of structure of the author's reasoning, and of the vast importance of the conclusions to which it is conducting him.

These results may be accounted for in two ways, either Mr. George may have been an incompetent scholar, or he may have had untrustworthy instructors. Clearly the responsibility for Mr.

George's aberrations cannot be thrown entirely on his teachers. His reasoning abounds with indications of a foregone conclusion. It also betrays indications of an unexampled crudity in his conceptions not only of economical reasoning, but of mental discipline generally. I have noted, throughout, these and other signs of individuality, which show that Mr. George would have been a remarkable person by whomsoever he had been trained.

On the other hand, Mr. George's guides cannot be acquitted of the *a priori* suspicion of false guidance on the mere plea of Mr. George's incompetency as a scholar, for the plain reason that Mr. George's idiosyncracies will not suffice to explain the entire result actually produced.

Notwithstanding the greatness of his faults Mr. George is not without considerable merits, to which I shall presently allude. I have already shown that he is an admirable imitator. But this is not all. There is in Mr. George a curious resemblance in one respect to John Stuart Mill. To understand either thoroughly you must know that you are dealing not with one man, but with two. On the one hand Mill is an expositor and developer of the high "orthodoxy" of Ricardo; on the other he has, without the least suspicion of inconsistency, deeply leavened his doctrine with the ferment of communistic socialism. It appears from his autobiography that he was under the influence of Ricardo on the one hand and of Mrs. Mill on the other. While extremely susceptible to external

influences, and very subtle in casuistic reasoning, Mill seems to have been nearly destitute of any sense of logical consistency, or coherence in the entire parts of a scheme or argument. His power of self-illusion was vast, and he could adopt the sophisms of others as readily as he could invent sophisms for himself.

When Mr. George's extravagances and self-contradictions, which belong to his own creed, which like Mill's is at bottom socialistic, are swept away, there remains an undercurrent of closely reasoned doctrine, and this doctrine is Ricardo's. It is remarkable that, with all his deadly hatred of Malthus, even Mr. George's anti-Malthusianism is wholly superficial, and disappears in the development of his doctrine. I have already shown how this is brought about. What Mr. George refuses to take from Malthus, he accepts at the hand of Ricardo. But Mr. George, when his doctrines are reduced, as I have indicated, is not a mere imitator, he is a developer of Ricardo. In the last chapter of this book a detailed comparison will be given of the leading conclusions of Ricardo and Mr. George in regard to the growth of population and the distribution of wealth, from which it will be seen that Mr. George is a far more legitimate developer of Ricardo than John Stuart Mill.

Now this circumstance is important in two ways. It shows that the coherence, such as it is, which Mr. George has endeavoured to give to socialistic doctrine, in the blending for example of communism in relation to land with competitive organization in

regard to industry generally, is a coherence which does not pertain to the socialistic scheme itself, but comes from a wholly different source, while the socialistic doctrine remains in its original chaos. It also, as we shall find, throws a valuable light on the competitive doctrines of Adam Smith, as developed by the master systematizer of his school.

Notwithstanding his wide divergence from them on some points, Mr. George has evidently a secret admiration of his models, and it is by their method that he professes to establish his conclusions.

Moreover in every science there is much to do besides systematizing. As an explorer and original investigator Mr. George is something more than respectable. He is no importation from Tahiti, but a world-wide observer, and although his observation is at times extremely superficial, at others he has shown, as I have indicated, considerable discernment, and that on matters of such importance that he has certainly made good one part of his indictment against his predecessors, that of basing their system on inadequate information.

Not only has he brought the powers of a fresh observer to his subject; but though deficient in power of sustained reasoning, he has frequently shown an intuitive perception of true relations, and this, as has already been seen, has led him to several important generalizations directly opposed to the teaching of his masters, and to the current of common belief, in which he is unquestionably right.

I have already said that Mr. George is entitled to

high credit for attacking in front the true economic problem of the day, that of the remuneration of industry with which our economists have but evasively fenced. They do not pretend that the actual distribution of wealth is satisfactory; but their attitude is one of negative and indifferent scepticism as to any possibility of improvement. Now scepticism on this point is a condemnation of their own science. It convicts it, as I have said, of sterility. It effectually turns away from it the faith and interest of the public; and as there is no reason to believe that any physico-psychological problem is insoluble in itself, it is utterly unscientific. Mr. George justly says of the answer to this problem: "It must be within the province of political economy to give such an answer. For political economy is not a set of dogmas. It is the explanation of a certain set of facts." (Introduction.) Accordingly if Mr. George has failed to find the answer he is at least entitled to praise for having sought it. In assenting to Mr. George's conclusion in this sentence, however, I must not be understood to imply that facts can be explained without dogmas, but only as expressing my disrespect for the dogmas which do not explain the facts.

BOOK V. CHAPTER II.

Mr. George's Ricardian Theories.

We have now only to take a parting glance in its entirety at the problem with which Mr. George has endeavoured to deal. It is impossible, as I have said, to deal satisfactorily with the distribution of wealth, whether actual or contingent, independently of the distribution of labour. No one has dealt with this question more methodically than Ricardo. A believer in the Malthusian theory of population, Ricardo, like Mr. George, believed that rent was destined gradually to absorb nearly the whole proceeds of industry, and it is from Ricardo that Mr. George has borrowed the grounds of this belief.

So plausible are the grounds on which Ricardo has based this hypothesis that it has been accepted by nearly all his successors. The method of Ricardo's reasoning has also obtained a firm hold on the minds of subsequent economists. I have already explained what that method is, and with what admirable results Mr. George has parodied it

by the process of elimination systematized by
do that Mr. George after stating many
mical facts of great value has been able to
o his aërial conclusions in utter disregard of
. Mr. George has thus performed upon the
mical system of Ricardo an operation similar
at which Hume performed on the philosophical
m of Berkeley, when following the method by
h Berkeley had eliminated matter, he likewise
nated mind.

fore examining the doctrine of Ricardo directly,
y be desirable to say a few words more of Mr.
ge's development of it. In speaking on the
s on the distribution of wealth of "the im-
ment of the arts" Mr. George uses a very
e term. Of course he means industrial arts,
f these there are two kinds which, in relation
ent affect distribution differently: 1st. Im-
ements in agricultural arts, or in the raising of
material generally; 2nd. Improvements in the
relating to manufactures, or the processes of
ring raw material for use. The primary
ncy of the former class is to lower rent; for as
ables the same amount of produce to be raised
ss land, it throws a part of the land that would
wise be occupied upon the market, and in-
es competition among owners for the sale or
g of their land. Ultimately the loss will be
ered; but this arises not from the agricul-
improvements directly, but from another
, the growth of population that results from
, and when rent rises from this cause Mr.

George fails to see that it does not necessarily rise relatively to aggregate revenue. Improvements in the manufacturing arts liberate labour for the production of raw material, and have thus a tendency, apart from the growth of population, to raise rents positively, but by no means necessarily in the ratio of the actual increase of production. They have a more distinct tendency to give an apparent rise of rent in another way. By lowering the cost of production of manufactures relatively to agricultural produce, on which the value of rent primarily depends, they enable rent to purchase more of them; but this is an increase relatively to the former purchasing power of rent, not relatively to the present aggregate of produce.

When there is an increase in manufacturing facilities, there also arises a demand for more elaborate products. Suppose at a given stage of industrial development that for every labourer employed in producing raw material, three are employed in preparing it for use. Let a great improvement take place in the economy of labour, whether manufacturing or agricultural, and it will be found that with it will arise a demand for more elaborate and better commodities of all kinds. This will tend to arrest the tendency of manufacturing improvement to increase population and to increase the consumption of raw material. That this effect is produced in a high degree by the improvement of manufactures, will be seen if we consider that the finishing processes required for the preparation of food from raw material vary

comparatively little, and the demand for food varies only with the population; but with the demand for manufactures there arises a demand for all kinds of commodities which require little labour compared with food for raw material. If, then, agriculture share moderately, as it commonly does, in the improvement, the probability is that the demand for manufacturing labour will exceed the demand for agricultural, so that in the advanced stage four labourers instead of three will be required to work up the raw produce provided by one. This is in accordance with the experience of progressive communities, and, as already shown, it would necessarily give an increased value to finished productions relatively to raw material, and thus cause a relative decline of rent. But to put an end to Mr. George's speculation it is only necessary to take a more precise view of the possible extent to which improvements, unaided by growth of population, can possibly advance rent. Let us then take Mr. George's illustration of a stationary population. Let us assume that the improvements are exclusively manufacturing, that being, as shown, the only kind tending to increase rent. Let us for the sake of convenience assume that the improvement is equal to 10 per cent. on manufacturing industry alone, not on the entire industry of the country. Then the raw produce remaining the same, 90 per cent. of the existing manufacturing industry would suffice to work it up, and there would only be 10 per cent. left for all new enterprises. Suppose the labour of preparing raw produce for use to require

three men for one required to produce it, then the whole additional demand that could go to raise rent would be one-fourth of the available labour. But as any rise in rent implies a rise in the price of raw produce, in so far as rent rose, part of the surplus of wages and capital available for increased production would be absorbed by it. Therefore the additional demand for raw produce could not possibly extend to a full fourth of the saving, unless the landlords who gained what the capitalists and labourers would lose, should spend their whole gain on commodities. But this is not the natural course. The landlords, finding their gains increase, would add something to their capital, in order to spend it in improving the source of their gains. Now capital spent in agricultural improvements, while it tends to increase the gain of the particular improver, tends to lower rent generally. This illustrates the futility of Mr. George's attempt to deal with the distribution of wealth independently of the distribution of industry.

BOOK V. CHAPTER III.

The Theory of Rent.

That Ricardo's theory of rent is in a high degree plausible is obvious from the fact that it has been almost universally received by economists. No more insinuating doctrine, in fact, was ever presented to human reason. This is the natural result of the process of elimination, of which it is the masterpiece. All reasoning to some extent includes elimination. But it is one thing in a particular process of reasoning to eliminate facts irrelevant to the immediate object of inquiry, and another and very different thing to introduce the wholesale elimination of facts as a method of scientific investigation.

What gives a greater appearance of plausibility to this process in the hands of Ricardo is the air of realism he gives to the fictitious illustrations by means of which he conducts it, by putting them in the form of actual transactions, although he is well aware that no such transactions as he represents ever take place. I have formerly said ("The

Economy of Consumption," Part I., Book IV., Chap. V.) "while his premises are always abstract, he almost invariably puts them in a concrete form, arraying them in the fictitious garb of facts and figures. Thus he contrives to move the industrial machine by means of sets of economical marionettes. But however amusing may be the motions of his figures, there is always some difference between the motions inspired by a brain of sawdust and one of the ordinary human texture."

Rent is evidently to a large extent differential; it is paid for the use of land; and those who pay it do so in the hope of making a profit by the cultivation of the land rented. Moreover what causes rent to assume a differential character is that land varies to a great extent, and usually very gradually, in fertility; so that there is usually in a country at every stage of its industrial progress some land which it would not pay to cultivate, as well as some the cultivation of which would only leave a bare profit without allowing anything for rent. According to the distribution of population land is subject to similar variation in advantage of situation. These, with some others implied, and to be afterwards noticed, are the facts to be represented in the theory of rent. What could be more plausible than to represent them thus? Rent is "that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil." It is a surplus over the cost of labour and capital required to cultivate the soil. When the produce does not exceed the cost of labour and capital, that is to say, when there is not

more than sufficient to yield ordinary wages and profit, the land yields no rent. Land which yields no rent may, and commonly will be cultivated, if it yields the return just specified to labour and capital; but not otherwise. Accordingly the margin of cultivation is that degree of fertility which will yield the ordinary profit to capital, and the customary maintenance to labourers, without any surplus. The cost of production on land of this description determines the line above which all the produce of the more fertile land goes to rent. It represents, therefore, the cost of production, inclusive of rent, to all agricultural producers more favourably situated. Hence it is the standard cost of production, and regulates the market value of the produce.

This is the theory of rent, as propounded by Ricardo, and from beginning to end it is a pure fiction. So far, however, it is a consistent fiction. But Ricardo adds to it certain corollaries in relation to the growth of population which contain new principles totally contradictory of the preceding, and which land the whole subject in a confusion only more skilfully disguised than that which we have found in the parody of Mr. George. It is with these corollaries in their relation to the distribution of wealth that we have at present to do. To discuss Ricardo's theory in its whole extent would carry us beyond the bounds of our present inquiry, but I shall briefly indicate, without controversy, the corrections that require to be made on the preceding propositions.

I may premise that in the preceding statement of

Ricardo's theory I have omitted the part of the theory that is most distinctively Ricardo's, because it is for the present purpose unessential, and it is inconsistent with the assumed general facts which constitute the theory, or on which it rests, although it is quite in accordance with the method of Ricardo to substitute a fictitious abstraction for a generalization from facts. Because Ricardo held that the cost of production to the farmer was alike on whatever soil he worked, and that the standard of that cost and remuneration were the cost and remuneration on the land last entered upon, he held that rent did not enter into cost of production. Now assuming the former generalization to be true, the latter is not a true inference from it. If the cost of production on all lands is equal, then rent enters into cost of production in all cases except on the land last entered upon, otherwise the cost of production in all other cases must be fictitiously made up; for the capital and wages expended on better land are not actually equal to those on worse. It is rent that reduces them to the same level of productiveness; consequently, without rent the cost of production on the better land cannot be made up. What Ricardo does is to substitute for it a fictitious statement consisting of an equal cost made up under different conditions. The true inference from the standard assumed by Ricardo is that rent enters into cost of production as a variable, or differential element, the alternative element on Ricardo's principle being wages, seeing he assumes the remuneration of capital to be always equal.

Rent is not a price paid for the use of the indestructible powers of the soil. No concrete liability of this kind is ever incurred, and no such payment ever made. Rent is paid for the temporary use of certain of the customary or legal privileges of ownership, which the owner continues to guard while the tenant makes use of them. The tenant's use gives him the control not of the indestructible, but of the actual powers of the soil, with all improvements already made, a use which is not unaccompanied with risk of loss, even if the tenant undertakes to return the land unimpaired, as he may fail to fulfil his engagement. It also gives him the use of all improvements made by the landlord during his tenancy, and as long as land is owned; the chief interest in its improvement will remain with the landlord. Thus the landlord is not, as the Ricardian theory represents, a passive instrument of the industrial organization, but an active agent in it. Among other functions which he exercises in it, one of the highest importance is the selection of tenants, so that even the tenants' improvements proceed primarily from him, and rent is not an idle revenue, as the theory assumes, but the capital on which the landlord's improving power depends. It is because of the landlord's interest in improvement that land is cultivated without rent.

But it is not true that the margin of cultivation is the cessation of rent, together with the maintenance of profit and wages. As the landlord has active functions to discharge, the margin of self-supporting production includes a rent adequate to the per-

formance of his duties; as he has an interest in promoting production the margin of actual production is the limit of the desire of the landlord to improve, and includes not only the cessation of all profit, but a negative rent, or an outlay instead of a revenue to the landlord. Rent is not a mere surplus over cost of production. It is determined by the relative speculativeness of landlords and tenants upon variable markets and a variable cost of production. The standard or self-sustaining cost of production includes a rent adequate to the maintenance of the capital necessary to the due performance of the functions of the landlord; a profit adequate to the performance of those of the farmers, and wages sufficient for the maintenance of the labourers and their dependents. There is no fixed margin of actual cultivation. It varies with the intensity of speculation. The market price, which determines rent, is not determined by a fictitious standard of cost of production, but by the quantity of produce actually brought to the market taken in relation to the actual demand for it. The ratio of supply to demand fluctuates, as already said, with the degree of speculation. Profit and wages have each a differential element as well as rent, and, as already said the limit of self-sustaining production includes a positive rent as well as positive profit and wages.

The following are Ricardo's corollaries. He lays down the principle that the "natural" wages of labour are the means of maintenance including reproduction of the species. He assumes, apparently

because these are the "natural" wages of labour, that somehow they must be got. He lays it down again and again that a rise in the cost of necessaries, if not preceded, must be followed, he seems to think immediately and by direct consequence, by a rise in the ratio of wages. He assumes that the tendency of competition is to equalize profits, consequently he treats profits as equal. He holds that the profit of cultivation at the margin of production determines not only agricultural profits, but all the profits of production, and all other profits earned by the employment of capital. When the numbers of labourers increase, the assumed necessity of finding subsistence forces production on to inferior soils, with a gradual increase of rent and universal decline of profit. Wages being already at the level of subsistence remain constant.

The theory of the tendency of wages to a minimum requires a more exact definition, which has been already given,* than that it is the "natural" wages of labour. The principle itself is no doubt founded on actual observation, but it is defined with that readiness for *a priori* generalization which characterizes all the speculations of Ricardo, and the whole superstructure which Ricardo has built on it is an absolute fiction. It is not a fiction dependent upon the fictitious character of the previous theory, but a new and independent one, for the reader will observe that the tendencies of the same force, namely that of rent, assumed in the original theory are not only divergent from, but opposite to those assumed

* Book II., Chapter II.

in the derived theory. In the former theory rent is a mere surplus profit, or margin on the cost of production necessary to remunerate all the active producing agents, among whom the landlord is not, in Ricardo's theory, included. The remuneration of the landlord is thus determined by, and not determining of the remuneration of these agents; in the latter theory we find rent an aggressive force gradually crushing out profit, which has already reduced wages to a minimum, and, through the extinction of profit, arresting the growth of population. The *deus ex machinâ* by which this change in the character of rent, and the singular inconsistency between its original and its ultimate relations to profit is wrought, is the theory of wages.

Why must labourers obtain the means of subsistence? Ricardo does not tell us. There is one way in which it is certain they must. Their number will be reduced to those who can obtain subsistence. This is no doubt what Ricardo, with his rapid habit of generalization, had in view when he originated his theory of wages; but this is not the view he has embodied in it. It is essential to Ricardo's method that all details should be struck out, and all processes eliminated. I have shown that it is impossible to reach the results of a complex process in this way. Accordingly Ricardo has in every case substituted something that has a superficial resemblance to, but is in principle fundamentally opposed to it. What he has actually embodied in his theory is a gratuitous assumption that labourers get the means of subsistence because they require them.

Mr. George supplies the omission of Ricardo, and gives a specific and definite answer to the question, What is the natural source of the labourer's wages? His answer, as we have seen, is given in his capacity as a strict follower of Ricardo.* He says, the wages of labour are determined by what the labourer could earn for himself on the land on which he can enter free of rent. This answer, as has been shown, is most dutifully Ricardian, for it is a pure fiction. In a country with an organized industry all land, whether cultivated or not, is appropriated. It is open to owners or capitalists; but not to labourers having no means to cultivate it. There is, therefore, no such land, and nothing at all can be earned on it.

Taking Ricardo's generalization as he himself has applied it, it is manifestly contrary to fact. There is no reason compatible with a competitive organization of industry why a capitalist should employ a labourer for the purpose of supplying his wants, unless a sufficient remuneration for his capital can be earned on the employment of him. There is consequently no reason why the wants of labourers, or the growth of their numbers, should diminish the profits of capital.

It seems to me evident that Ricardo did not derive originally his theory of the synchronous equality of profits, and of their gradual decline, from the doctrine of the standard cost of production. The former is avowedly derived from

* It will be remembered that he gives elsewhere a very different definition of the remuneration of labour, one which is entirely his own invention.

the nature of competition, and others besides Ricardo have derived the latter from the same source. Adam Smith has observed a tendency in the rate of profits to decline with the advance of industrial organization. What Ricardo did was to combine these independent observations into a complete generalization along with his laws of rent and wages. In order to appreciate this result it will be necessary to investigate independently the real nature of the distribution of the proceeds of industry in a community with an organized competitive industry, between the three main contributories, land, capital and labour. I shall take them in the order given, premising that the remuneration of labour has already been pretty fully discussed, and, being in this order the complementary factor of the three, will require only a very general notice.

Rent, I speak firstly of agricultural rent, can never be more than a portion of the gross profit of agricultural production, after deduction of the actual outlay on wages and material. There may be no rent, or there may be a rent paid at the cost of the cultivator, but a rent can only be actually earned when the costs of cultivation have been paid, and something is left to the cultivator to divide with his landlord.

Now, as we have seen, with advancing organization, the cost of raw material bears generally a diminishing ratio, normally, it may be said, a continuously diminishing ratio, to the aggregate wealth of the community, so the notion of all the proceeds of production becoming absorbed in rent is entirely

unwarranted by anything in the nature of rent itself. The landlord we have found to be an active agent in the industrial organization. His agency is conducted through the medium of rent as a capital; but it embraces responsibilities peculiar to the holder of the original resources of production. We have seen that the efforts of the landlord to increase the revenue of his own land tend to reduce rent in the aggregate. This is especially the case with that class of exertions which commonly earn for the landlord the highest unpopularity. When he exacts the full competitive rent of the land, he exacts from his tenant the full measure of competitive diligence, and when he evicts idle, incompetent or impoverished tenants, he is providing for the use of adequate means to promote efficient cultivation. All these things tend to increase aggregate production, and whatever tends to increase aggregate production tends directly to diminish rent.

As land has a value for other purposes besides agriculture the landlord has other interests than his industrial interests; but the effects of these upon his industrial interest have been greatly exaggerated. Before the landlord can use land for his amusement, he must live by it, and the more expensively he lives, the more he must get out of it. The extent, therefore, of the alien interests of landlords is strictly controlled by their industrial interests. With a free exchange of land it would never lead to a greater appropriation of land to purposes of pleasure than is desirable in the general interest of the community.

Rent, as we have seen, enters as a distinctive element into value. It may either enter as a positive or a negative element. That is to say the relative quantity of produce brought to market may be diminished by the necessity of contributing something to the support of landlords, or it may be increased by the speculation of landlords to increase rents. Ricardo's standard is a delusion. It is not even the standard round which competition fluctuates. That, as I have shown, is the standard of self-sustaining production, including a positive rent.

Mines, and all other sources of raw material, follow the same law as agricultural land; but there is another kind of property that requires farther notice. Mr. George, apparently apprehensive that agricultural rent, notwithstanding his unrestricted demonstration to that effect, would not be able to devour the whole proceeds of industry, and somewhat suspicious, perhaps, that the fact did not correspond with his theory as well as it might from the satisfactory nature of his logic be expected to do, has brought a similar charge in an aggravated form against the rent of tenements in towns.

Although Mr. George gives in his grandiloquent way a sketch of the growth of population from the first settler to the rise of a great city, he is utterly incognizant of the economic conditions by which that growth is controlled and co-ordinated. His notion that the rent of towns ever has absorbed, or can absorb, the bulk of manufacturing or mercantile profits, is dictated by the most superficial and inaccurate observation. It might seem obvious at first

sight that the capitalist will not work for a landlord, any more than for a labourer, unless he receives adequate remuneration. Mr. George's strictures are, of course, properly applicable to the differential rent due to situation; which, it is to be noted, may be very different from actual ground rent. But even gross rental including "interest" on buildings, and even on machinery, will not sustain his hypothesis. What is the rent of the most expensive counting-house in the City to the profits of one of its largest merchants? What is the rent of the office of an insurance company or a bank to the amount of business it transacts? With regard to large manufactories practical proximity to a town can be obtained by them without incurring the differential rent of a choice town site, by selecting a suburban one. Differential value in shop rents is also a matter exclusively of position. It rests upon the general profits of a locality, not upon the capabilities of particular traders. If a man could double his gross profit in a year by causes peculiar to himself, and not common to the locality, it would not raise his rent one halfpenny. Nor does the town any more than the country landlord get the whole advantage of differential value. To cultivate a superior situation he requires a superior tradesman, and has to allow him a superior profit. With regard to private residence, people of any class can be accommodated in a large town at a moderate rental, if they do not insist on living in districts consecrated by fashion as eligible, or specially appropriated to other more remunerative uses.

Differential rent is the co-ordinating force that not only regulates the growth and distribution of population in each particular town, but also the relative growth of different towns, not only in the same, but, in as far as commerce is free, even in different communities.

It determines for example, the limits of the enormous growth of London, not only by setting a higher cost of living against its attractions as a resort of fashion; but also by raising the cost of all industrial enterprises, not only positively, but relatively to their cost in other centres of industry. It also distributes all sites in towns relatively to the importance measured by a mercantile standard, of the uses for which they are demanded. The notion that these functions could be performed by any external force, whether governmental or municipal, or otherwise than by competition among those concerned, is not compatible with a rudimentary knowledge of economic law, whether as founded on physical facts, or on human motives or dispositions.

BOOK V. CHAPTER IV.

On Profit and Wages.

Profit, with which we have now to deal, is a remuneration earned by the owners, or at all events, by the holders, of capital. It is, as we have seen, dependent on the use of capital. Like the owners of land, the owners of capital, even as mere lenders, are not without an active part in the pursuits of industry. Mr. George rightly rejects John Stuart Mill's definition that the remuneration of capital is "the reward of abstinence;" but his own definition differs from this very immaterially, for he too excludes from the remuneration of capital any element pertinent to labour. In this he only follows out the principle of Ricardo, who makes a similar exclusion in relation to rent.

The share in industrial enterprise of the owners of land and capital is that of organizing and providing means; the share of hired labourers is that of conducting operations. This is the distinction Mr. George has missed. Of the two

functions first named, the former, in organized industry, is exclusively the function of the holders, whether owners or borrowers, of capital; while the latter, primarily the function of the landowner, is shared between the two. To this complete ascendency of capital in the organization of industry there is no exception. The landlord in improving land uses capital and acts as a capitalist. Organized industry formally begins when the functions of the capitalist are separated from those of the landlord. With regard to the ascendency of capital there is a difference between Mr. George and his orthodox predecessors, which, as will be seen, however, does not affect their ultimate conclusions, as the liberty which Mr. George claims for labour turns out to be entirely illusory.

If it is necessary with reasoners like Mr. George to go back to the origin of things, the *histoire raisonnée* of industry is easily written; and it will be seen from it that Mr. George condescends to talk nonsense when he speaks of the identity of the principles involved in organized with those of unorganized industry. Industry must everywhere have begun with the occupation, temporary or permanent, of land by a family group, gradually expanding into a tribal one. The industry would be directed by the head of the family, and the proceeds used by its members without exchange. Capital must have come into existence as soon as industry was applied, and there would be private property in certain family and personal belongings; but exchange could not arise until the group

became large enough for separation of industrial interests. Different groups might then be formed similar to the first, and when negotiations began between them, a class would arise separate from the directors of agrarian enterprises, by whom these negotiations would be carried on. Then capital first appeared as an organizer of industry. Until this time individual property in land could hardly have existed in a distinct form; but it must sooner or later have arisen from the new condition which rendered everything exchangeable a source of wealth to its possessor. With the increase of the number of merchants competition would arise, and when the producers of material and commodities were taken into their pay as hired labourers, their ascendency over the industrial organization became complete. So complete is it at present that economists have commonly overlooked the necessity for a continued co-operation on the part of landlords, and have virtually, whatever they may think, treated labourers as the mere slaves of capital. We have seen, however, that capital is itself the slave of industrial motives, and how these impel it to act is what we have now to consider.

We have seen that under an organized system of industry production is not pushed forward by the wants of labourers. Demand, not want, is what competitive industry undertakes to supply. But, on the other hand, all demand is alike acceptable to it. The demand of a labourer is as effective as that of a lord; the wants of a coal-heaver, in as far as they are covered by purchasing power, are as

carefully catered for as the wants of a duke. We have seen also that what capital is compelled to cater for is not realized, but prospective demand.

Now the impelling power of competitive industry is individual ambition. The promoter or director of industrial enterprises desires means not to satisfy his wants, but to increase his power. If there are ten competitors for the supply of a given demand, each wishes to supply not a tenth of the demand, but the whole of it. If he succeeds in ousting his competitors, he immediately begins to organize the supply of a new demand, and if he becomes a monopolist in that, he proceeds to a third. Thus he goes on till his physical energy decays, or till the enterprise becomes too great for his organizing powers.

It is thus evident that there is no limit to the extension of production except the endurance of labourers; the utter failure of profit, or the utter crushing of competitors. The second limit is that which has, as I have already noticed, given rise to Ricardo's theory of the gradual decline of profits; the last is that upon which I base the doctrine of the differential character of profits.

The theory of a continuous decline of profits is capable, as I have formerly demonstrated, of an *a priori* logical refutation. Capital and profit form together a joint and reciprocally sustaining interest, and as an organized industry cannot exist without capital, so profit is indestructible. Profit is the normal, constant, and inalienable source of capital. If capital is adventitiously supplied, say from the

savings of wages, then the contributions to it from profit may, and will, fall off: but let this gratuitous aid be withdrawn, and what will happen? First, capital will fall too low to be able to meet the whole of the remunerative demand for it; but as the demand will continue to be produced, or rather will be increased by the diminution of saving, an immediate rise of prices* attended with a fall of wages and a rise of profits will ensue. The means of accumulation in the hands of the earners of profits will be increased, and the motives to accumulation raised to the highest point. Thus the rate of interest determines the general accumulation of capital up to the full demand of industry, and the rate of profit determines the appropriation to each industry of the full amount of capital it requires; while the same conditions prevent the permanent formation of accumulations beyond the general or particular demand. It is thus impossible that anything can cause a permanent decline of profit except a permanent excess of capital, and nothing can sustain a permanent excess of capital without a permanent surplus of profit.

Besides the tendency, already noticed, of industry to over-competition, there is another thing that has given plausibility to the theory of a continuous decline of profit, the fact that as industrial organi-

* According to Ricardo's mode of reasoning there could be no rise of prices from a general scarcity of capital, because, as Ricardo and Mill always reason as if commodities were the only exchangeable things, if some prices rose others must necessarily fall. But commodities, as already pointed out, are not the only exchangeable things. If the production of commodities falls off, all non-producers, that is to say everyone but the earners of profit will have to pay more for them, which is precisely a rise of prices.

zation advances, and the area of competition expands, particular industries can be conducted remuneratively at a smaller rate of profit. Upon this it is only necessary to make two observations: first a decline in the rates of profit owing to an expansion of the industrial organization does not indicate any decline in the adequacy of profit; secondly, any actual decline of profits relatively to rent or wages incident upon the development of industrial organization is apparent, not real. * That which attends the progress of industrial organization is exactly the reverse. Profit is the element that relatively increases; rent and wages the elements that relatively decline. That which distinguishes the growth of organization is not only an exhaustive division of labour into successive processes upon each of which profit may be earned, but a higher elaboration and complexity in completed products; so that a commodity which in an earlier stage of development might have borne two or three profits may now bear twelve or twenty, and will certainly cost less labour relatively to the value of the result than before. Although each of the successive layers of profit is thinner than the preceding ones, yet their aggregate proportion to the entire labour goes on increasing. It has already been shown that the tendency of wages is to increase relatively to rent.

The manner in which over-production affects profits is already apparent from what has been said

* It is noteworthy that if rent, profit, or wages is looked at separately, each of them shows a tendency to decline with the increase of the exertions of their earners. All these tendencies are real; but they necessarily operate against each other.

as to the effect of profits on the accumulation of capital. When production, whether particular or general, exceeds demand, profits fall until an enforced suspension of producing energy takes place, and lasts long enough to allow the surplus produce to be consumed, when the race of production is resumed on the same conditions and with the same result as before.

To those who witness the wide-spread devastation among commercial and industrial interests inflicted by a commercial crisis it seems almost incredible that they should pass away with the slight effect upon industrial progress that they do. In any case progress would be restored by the indestructibility of profit; but that which mitigates the immediate effects to the organizing power is what I have already noticed, the differential nature of profit.

The struggles of competition for ascendency and virtual monopoly are always successful up to a certain point. Such, indeed, are the advantages of the stronger competitors that, as I have formerly said, it is only the decline of physical and mental vigour that sets limits to their success. If a dozen men of organizing genius could be rendered immortal, it is difficult to see how they could be prevented from absorbing the whole capital of the world in their hands. As it is, energetic organizers seldom find adequate successors, and when an industrial enterprise has reached a certain age and magnitude, it begins to show symptoms of decline. Thus, although old competitors may be crushed, new ones can never be prevented from arising and

the eternal struggle begins on the same terms and with the same result as before. As it proceeds all the world glorifies the conquerors, and condemns the vanquished; although the success of the one depends upon the failure of the other. Clergymen write sanctified biographies of the former, and the latter are held up by utilitarian moralists as examples to be shunned. This explains why mercantile men, as sarcastically observed by Adam Smith, so habitually complain of the badness of trade. While, through the inordinate and uncontrolled ambition which forms the general guiding principle of all, a large proportion of them are continually in process of being crushed, trade can seldom be good enough to satisfy the desires even of the more prosperous. At any time there are thus in existence in each particular industry a series of establishments in all stages of advancement from infancy to decrepitude. To suppose that there can be any tendency to equality of profits among industries so situated is as absurd as to imagine an equality of productiveness between "the land last entered on" and the richest soil in England. The theory of equality of profits, as propounded by Ricardo, is not only one of the most stupendous blunders ever committed in systematic economy, prolific as it is in blunders, but, perhaps, the most stupendous blunder ever committed in any science. It could not have occurred but for the method of elimination, the baneful effects of which have been already exposed. When a commercial crisis occurs, it strikes severely the immature

and decrepit. The more vigorous competitors suffer temporarily only to gain a greater advantage from the suppression of their rivals. If profits were really equal, every crisis would prostrate, if not crush, nearly the whole existing organization of industry.

Now let us apply this theory of capital and its remuneration to Ricardo's theory of the limit of production. According to Ricardo, it will be remembered, the necessities of labourers determine when production shall proceed to poorer soil; the margin of profit on the land last entered on determines all profits; and the adequacy of profit determines the extent to which labour shall be applied.* This

* Lest any captious critic should say, "these are not the principles of Ricardo," I append some extracts from Ricardo's "Principles of Political Economy."

Chapter II.—"The exchangeable value of all commodities, whether they be manufactured, or the product of the mines, or the produce of land, is always regulated not by the less quantity of labour that will suffice for their production under circumstances highly favourable, and exclusively enjoyed by those who have peculiar facilities of production; but by the greater quantity of labour necessarily bestowed on their production by those who have no such facilities; by those who continue to produce them under the most unfavourable circumstances: meaning by the most unfavourable, the most unfavourable under which the quantity of produce required renders it necessary to carry on production."*

Chapter IV.—"This restless desire on the part of all the employers of stock to quit a less profitable for a more advantageous business, has a strong tendency to equalize the rate of profits of all, or to fix them in such proportions as may, in the estimation of the parties, compensate for any advantage which one may have, or appear to have, over the other."

"If from a consideration of these circumstances, the profits of stock should be so adjusted that in one trade they were 20, in another 25, and in another 30, they would probably continue permanently with that relative difference only. . . ."

Chapter VI.—"But when 180 quarters were produced on the land paying no rent, and its price was £4 per quarter, it is sold for £720; and when 170 quarters were produced on the land paying no rent, and the price rose to £4 4s. 8d., it still sold for £720; so 160 quarters at £4 10s. produce £720; and 150 quarters at £4 16s. produce the same sum of £720."

"Now it is evident that if, out of these equal values the farmer is at one time obliged to pay wages regulated by the price of wheat at £4, and at other times at higher prices, the rate of his profits will diminish in propor-

* Words to be noted: "necessarily" and "the quantity of produce required."

series has a transparent aspect of circularity about it, and Mr. George renders it more consistent by making the productiveness of the land last entered upon the limit both of profit and wages. But it has been already shown that in an organized system the necessities of labourers determine nothing but the extent to which they shall be compelled to accept of employment on any terms. With regard to the second member of the series, Ricardo makes an assumption without any

tion to the rise in the price of corn. . . . But the case of the farmer of the old and better land will be in no way different; he also will have increased wages to pay, and will never retain more of the value of the produce than £720, to be divided between himself and his always equal number of labourers; in proportion, therefore, as they get more, he will retain less."

"Thus in every case agricultural as well as manufacturing profits are lowered by a rise in the price of raw produce, if it be accompanied with a rise of wages."

"It may be taken for granted that . . . under ordinary circumstances, no permanent rise takes place in the price of necessaries without occasioning, or having been preceded by a rise of wages."

"The natural tendency of profits, then, is to fall: for in the progress of society and wealth,† the additional quantity of food required is obtained by the sacrifice of more and more labour. . . . The rise in the price of necessaries, and in the wages of labour, is, however, limited; for as soon as wages should be equal (as in the case formerly stated) to £720, the whole receipts of the farmer, there would be an end of accumulation; for no capital can then yield any profit whatsoever, and no addittional labour can be demanded, and consequently population will have reached its highest point. Long, indeed, before this period, the very low rate of profits will have arrested all accumulation, and almost the whole produce of the country, after paying the labourers will be the property of the owners of land and the receivers of tithes and taxes."

Mem.—It is manifest from the illustration in which he fixes the return of the farmer that Ricardo does not assume excess of competition. The quality of the return, on the contrary, implies a constant and universal equation of demand under the most extraordinary diversity of circumstances. Hence it follows that Ricardo assumes that the mere wants of the community, especially of labourers, push on production‡ irrespectively of motives to the producers. From the vague terms in which, as I have noticed, this assumption is made in Chapter II., it has, I think, evidently been first made inadvertently. Yet it is the basis of the whole system, and has been carried

† Note that Ricardo finds the progress of "wealth" attended with the deepest poverty to all but a single class: this is precisely Mr. George's doctrine.

‡ Mr. George does not make this assumption. He substitutes for it, as I have shown the equally untenable one that labourers can maintain themselves by unorganised labour in the midst of an organized system. The inability to conceive of industry without organization is the great fault he charges on his predecessors.

evidence whatsoever. He has been led to do so simply by misplacing the theory of equality of profits. The only place where such a tendency occurs is at the outside margin of all kinds of industry. In particular industries the differential range of profits is more or less extended according to the extent of the industry. Cultivation, like any other industry, only progresses when on its outside margin it offers more advantages to the capitalist than other industries do on theirs, and the permanent

farther by J. S. Mill in his chapter on the fundamental propositions on Capital.

The illustration from Chapter VI. is typical of the method of Ricardo. It is habitual with him to regard an observed tendency as an accomplished fact, regardless of the possible existence of counter-tendencies. It will be observed that in Chapter IV. the equality of profits is a "strong tendency" in Chapter VI. a universal fact. Thus he discounts the whole agency of competition by a single assumption. This is the method of elimination I have noticed in the text. It is this that has made his book so short, and at the same time so convincing to abstract minds. It is the rigorous application of logical method to a partial and erroneous statement of facts. De Quincey who knew as much as a Hottentot about the actual working of the industrial organisation, thought it a marvel of scientific method, and university professors, whose knowledge of industry is commonly very slender, are generally much taken with it yet. John Stuart Mill, however, the most illogical of men has replaced some of the eliminated facts, and expanded Ricardo's arguments with the effect of spoiling the illusion. You see in Mill the manufacture of premises going on for the demonstration of preconceived conclusions, or, as I have formerly said, in travelling with Mill from his premises to his conclusion, you are making a return journey on a road previously constructed from the conclusion to the premises.

The followers of Ricardo usually suppose that the reason his predictions have not been fulfilled is that indicated by Ricardo himself, the effect of labour-saving inventions in keeping back the pressure of population. I have shown, however, that the production of Ricardo's results is not in the nature of the organization, and that however the growth of population may gain upon the development of resources, "the stationary state" predicted by Ricardo, and described by Mill will not result from it. In the closing chapter on Population, I have already described the final operation of the competitive system on the growth of population.

Ricardo is egregiously mistaken in supposing that the fluctuations of profits balance themselves. Speculative profits frequently come not out of profits, but out of wages.§ Mr. George recognizes this in his premises, but ignores it in his conclusions. Neither do the fluctuations of seasons leave behind them, as Ricardo imagines, an equilibrium. There is no approach to a calculable cycle of seasons.

§ I have shown that there is not an effective counter-tendency.

entrance upon any land is determined by its giving effectual remuneration to capital. But this margin does not, as Ricardo imagines, determine the limit of the profit of cultivation on other land, much less the limits of the profits of industry generally. The farmer who cultivates outside land is commonly an outsider. He would not be there if he could get better land to cultivate, and the landlord who has good land to let pays no heed to the cost of production at the outside margin. He wants not merely a tenant, but a skilful cultivator, and in order to secure him he allows him a differential profit corresponding to the importance of his charge.

Ricardo, in following up this generalization, has committed an oversight singular even for him, and in which he has been followed by Mr. George. He has not only, as we have seen, made rent gradually absorb profit and arrest the increase of wages, while Mr. George, more consistent than Ricardo, makes it crush out wages also; but both of them having eliminated rent from cost of production, keep it out of sight to the extent of forgetting it as an element of the wealth of the community.

Agricultural rent, with which, as we have seen, all other rents agree in principle, is only a share of the gross profit of raw material. If it is paid in money it is already commuted; but it must be still farther commuted before it can be of any use to its receivers. The whole of it must, sooner or later, be expended on the production of commodities, and so distributed between capital and labour. To talk of rent extinguishing profit and wages is thus like

going about lamenting that there is no longer any oxygen to breathe, because it is all absorbed in atmospheric air. Mr. George makes, as I have already pointed out, a similar oversight in regard to speculative profits, the existence of which he admits. The only thing that effectually raises rent is the growth of population, and the only thing that could cause rent to rise in a ratio to profit and wages so high as to be oppressive would be a growth of population in excess of the development of resources. In an organized system of industry this cannot happen; * but the evil is that it is arrested not by preventive, but by destructive means; not by prudence and foresight, but by the incessant collision of the warring elements of industrial life. The form in which these elements reach the crisis of their strife, and the illusory nature of the tranquillity resulting from their exhaustion have already been shown.

This is the true problem of population, the great economic problem of the day. When I have propounded a remedy for the evils here shown to exist in relation to it in the actual organization of industry, I have been met on the part of orthodox critics † with a flat denial that these evils do exist. When an economist says, as every critic professing orthodox views on competition and capital who has replied to me has done, that it is "impracticable"

* Although the actual population cannot exceed the development of resources, the rate of growth may. The surplus goes to enlarge the bills of mortality. Moreover the exaction of toil from the labouring population may be carried to the extremest limit.

† I do not refer here particularly to the Ricardo school, but the modern idolaters of competition generally.

for labourers to reduce the supply of labour when the demand for it is bad by reducing its duration, without fighting about rates of remuneration, which involves the consent of employers to the reduction, he says in effect, that no means can be taken to moderate the aggressive action of capital; that labourers will virtually never be better than its slaves; and that the future development of industrial organization will be a growingly absorbing pursuit of the accumulation of material wealth, resulting in misdistribution and unprofitable consumption. The evil is that while the natural tendency of competition is to absorb more and more of the labourer's time in material production or industrial service, the neglect of the natural law of population makes the increase of means go to the growth of numbers, and not to the better maintenance of the community; while excess of production of itself misdistributes both labour and wealth, and thus anticipates the evil of pressure of population. Mr. George knows no more of these evils of the competitive system than his orthodox brethren, and his remedies leave them wholly untouched.

The remedy I have proposed, consists simply in educating the working classes to treat capital according to its real nature, not according to the erroneous notions of it propounded by orthodox economists. As a constituent of the industrial system, the labourer cannot escape the control of capital. As a consumer and creator of demand, he can command it. It is his necessities that give the capitalist power over him; but these necessities are under his own

control, and it is by controlling and moderating them that he can limit the control of capital. The part of his time which is beyond the control of the capitalist is his leisure, and he can buy more or less of it by sacrificing more or less of his least valuable material indulgences. The labouring classes generally, and primarily the producing labourers, thus hold in their own consumption the key to the consumption of the community. This power cannot be exercised without organization, and I have shown also that to be effective the organization must be guided by economic law. These conditions complied with, I hold that it is as much the function of the labourers to control consumption as of capitalists to control production. To the question of practicability I have devoted a series of chapters which my reviewers, as is evident from their objections, have by common consent left unread.

It remains here only to inquire how the distribution of wealth affects that of population. As long as the industrial organization lasts, the working classes can never have anything to live upon but wages, and wages can never affect the proportion which the laws of the organization assign to rent and profit. By wages, therefore, and by them only, must the growth of the labouring population be determined. It is certain, however, that wages may be materially lowered by over-competition among labourers for employment, and, relatively to work done, by over-extension of hours. When labourers are led by capitalists on to enterprises on which profits cannot be permanently earned, and then left in the

lurch, they must continue to suffer until their labour is re-distributed, or their number reduced, as the case may require. This is the problem of population as it affects the working classes.

But there is, as I have said, a distinct problem of population for each class. The aggregate amount of rent or profit that can be earned in a community at a given time is determined, within certain limits, by the laws of the industrial organization; the number of landlords or capitalists is not. The number of the class may affect the remuneration in some secondary ways, but the general principle is as stated. If there are too many landlords or capitalists, therefore, the remuneration of the individual landlord or capitalist will be reduced.

There is a distinction, however, in the way in which the problem affects these classes from the way in which it affects the labourers. As I have formerly said, the overflow of the upper class falls into the middle; the overflow of the middle into the lower; but the overflow of the lower can fall nowhere but into the grave. While, therefore, the higher classes are concerned only with class problems of population, the evils of the whole pressure fall upon the lower.

Ricardo and Mr. Henry George have both observed certain evil tendencies in the existing industrial organization. Although I do not agree with their *diagnosis* of these evils, I agree with both authors as to their existence, and I yield to neither in the conviction of their magnitude. Both of these authors have found the source of

these evils in the absorbing power of rent. I have endeavoured to show that this theory is alike opposed to sound *a priori* reasoning and to the whole evidence of experience. Rent, in fact, is not, and under an organised industry cannot become an aggressive and absorbing power. I have also endeavoured to show that both *a priori* reasoning and experience prove that the source of the evil exists elsewhere. The aggressive power is competition; the absorbing agent is an unregulated consumption, stimulated by competition, and not based upon the spontaneous demand arising from real wants. But "the enemy," as I have already said, is not competition, which is the motive power of industry, but over-competition, which is capable of being both distinguished and prevented. The functions of an organised system are performed by separate organs, not by the entire body, and the control of consumption is the specific function of producing labourers, operating upon it through the organised control of their own.

BOOK V. CHAPTER V.—(Supplementary).

Two Rival Theories of the Future of Labour: Profit-Sharing, and Regulation of Wages by Time.

Mr. Wordsworth Donisthorpe, a well-known member of the Liberty and Property Defence League, has published a little work in the form of a pamphlet entitled, "The Claims of Labour, or Serfdom, Wagedom and Freedom," in which he advocates a mode of settlement of the respective claims of employers and employed based upon a division of profits.

The scheme of division of profits has many advocates; but, perhaps, no more ingenious one than Mr. Donisthorpe. Mr. Donisthorpe certainly thinks himself one of its most thorough advocates. He says: "if any one supposes that the system of paying for labour by a share of profits has ever been actually tried, he is grossly deceived."

Mr. Donisthorpe refers to a previous work, "The Principles of Plutology" for the theory on which his scheme is based. The scheme as propounded in

the pamphlet, however, seems to be sufficiently intelligible without any theoretical introduction.

Mr. Donisthorpe's fundamental principle is somewhat like that of the independence of labour of the support of capital propounded by Mr. Henry George in the first book of "Progress and Poverty." "Labourers," he says, "are themselves a species of capital."

Now I have no objection to Mr. Donisthorpe's using this expression. I have myself used and justified it, not in relation to labourers,* but to capacity for labour; though with the admission that it is metaphorical, and with the precaution of pointing out that labouring capacity is the capital of the labourer.

But the expression does not appear to me to justify the inferences which Mr. Donisthorpe draws from it. If labour is capital, it is, as Mr. Donisthorpe says, a species of capital. It is not a capital that can directly support the labourer. To gain support from it he must exchange it for that kind of capital held by the capitalist, as distinguished from the labourer. This puts the labourer and the capitalist on the terms of buyer and seller, or of the parties to a barter; not in the position, as Mr. Donisthorpe's theory does, of partners.

Practically Mr. Donisthorpe founds his scheme on the expectation that wages and profits should fluctuate together. "There seems," he says, "to be floating in the air, as it were, a notion, it can hardly

* That which makes labourers defective as a species of capital is what Mr. Donisthorpe himself points out, that they cannot sell themselves except in small quantities.

be called a theory, that wages should vary with profits. The notion is vague, it owns no parentage, it is associated with no great name; it is, perhaps, the spontaneous outgrowth of an intuitively far-seeing public opinion, which is so often the precursor of the eventually accepted philosophical theory."

Mr. Donisthorpe seems to think that this theory is wholly inconsistent with the Ricardian doctrine of the tendency of wages to a minimum. He says, "Either this principle is utterly vicious, or the time-honoured economical dogma must be exposed as a dangerous fallacy." But there is no necessary inconsistency. Ricardo is speaking of one thing; Mr. Donisthorpe of another. Ricardo speaks of "general rates" of profit and wages, things which, in addition to other disadvantages under which they labour, have the misfortune not to exist. There may be general tendencies of wages or profits to rise or fall, and Ricardo, assuming these to be the predominant tendencies, says there cannot be a rise of profit without a fall of wages, or a fall of profits without a rise of wages. He says this because he has premised the two false principles that profits and wages are the two sole constituents of cost, and that produced commodities are the only exchangeable things.* But this proposition of Ricardo refers only to money values. In an illustration which he gives he assumes that wages have already reached their minimum of real value, consequently with

* There are also land and labour, whether productive or non-productive.

every rise in the price of necessaries they rise and profits fall. Thus, according to Ricardo, wages and profits both travel in the same direction, namely, towards an irreducible minimum, only he assumes that wages arrive there first.

Mr. Donisthorpe, however, is not dealing with the general, but with the particular movements of profits and wages; and in this he is right; for on a question of reform, the former can only be reached through the latter. But neither in regard to general or particular movements is there any inconsistency between Mr. Donisthorpe's principle and the theory of barter I have laid down. Profits are not made directly upon the engagement of labourers, but indirectly upon the sale of their productions. The employer buys from the labourer a commodity which he re-sells in a modified form. Naturally the higher the price he gets the more he can afford to give, and thus particular wages and profits always rise and fall together.

But there is no partnership or stipulation; no fixed ratio of wages to profit. The relative rate of advance or decline is determined by the varying conditions of the market.

In as far as the movement of profit and wages in the same direction is concerned, Mr. Donisthorpe's observation is simply the observation of a common every-day fact; in as far as the establishment of a definite ratio is concerned, it is not justified by fact: it is the reform proposed by Mr. Donisthorpe himself; but the assumption does not hold good that the facts afford any preliminary justification of it. That a vague expectation of this kind exists

is no doubt true; but it remains to be seen if there are any good grounds for its existence.

As to the method of carrying out his principle, Mr. Donisthorpe says: "But let us now suppose that instead of the present system of wages payment, an estimate is made of the actual amount of money paid during, say, the last ten years in a given business to the workpeople, paid away, that is to say, in wages; suppose the proportion which this bears to the gross return is twenty-five to seventy-five; suppose that an agreement is entered into between masters and men that in future the latter shall receive instead of a fixed wage, twenty-five per cent. of the gross returns, what would be the consequence?"

Farther on he says, "It must begin in the large coal and iron and textile-fabric industries; in the cotton-mills, the foundries and the collieries. There it is already known or easily ascertainable, exactly what proportion of the gross receipts of the business has been paid away in wages every year these ten years."

The greater part of Mr. Donisthorpe's pamphlet is taken up with a discussion under a variety of heads of the advantages of the scheme. This subject is handled with ingenuity, and from a high standard of desiderated attainment. It has consequently an interest independently of the practical merits of the scheme, and it is because of some of Mr. Donisthorpe's remarks here that I have thought it desirable to notice his work.

For it appears to me that as soon as Mr. Donis-

thorpe's practical proposal is propounded, it falls under the fatal objections of being neither just nor practicable.

Why should labourers receive a fixed proportion of gross profits? I can discover no reason for it in the nature of their position, and the proposed plan of carrying it into effect not only virtually abrogates the principle, but actually admits its impracticability.

For whence does Mr. Donisthorpe propose to get his proportion? Precisely from wages paid by competition. But if these wages are already just, what is the need of change?

I hold that competition on the present system does not fix fair wages, and that in order to give the labourers the advantage of a free and equal competition, they must have the full control of the supply of labour which they shall put in the market, in other words, they must fix their own hours of labour. This, I believe, would give all the advantages desired by Mr. Donisthorpe, in as far as he is not over-sanguine.

The objection just indicated to Mr. Donisthorpe's scheme might be got over if, when once started, it had any principle of self-adjustment. But of this there is no appearance. Nothing in the working of the scheme seems to imply that there is any design of adapting the proportion to changes of circumstances. The scheme thus consists in fixing wages not by present, but by past competition. Competition is to be slain and buried; but its ghost is to preside over the scene for evermore. The hours of

labour may change, or the appliances of industry may change, either of which changes would change the relative proportions of competitive profits and wages; but no change can happen under Mr Donisthorpe's system. There is no apparent means of estimating the value of a change in conditions without a return to competition. It is creditable to Mr. Donisthorpe that his pamphlet appeared in 1880, for for this is precisely the principle, carried out in its integrity, of the Irish Land Bill of 1881.

Competition adjusts fluctuations in the supply of labour and capital. If a thing is scarce because the supply of labour for producing it is scarce, wages rise more than profits; if it is scarce because the capital appropriated to its production is scarce, profits rise more than wages. No such adjustment could take place after profit and wages had been mechanically tied together.

But the fatal objection to Mr. Donisthorpe's scheme is that it rests on a total misconception of the nature of profits, and of the conditions under which they are earned. Mr. Donisthorpe is first of all mistaken in supposing that profits can be ascertained in time to form a basis for the determination of wages. The truth is that as long as a man is in business his profits can never be positively ascertained at all. He makes a balance at the end of the year, but if he has any stock or even plant on hand, any debts outstanding, or consignments abroad, his assumed profit is only an estimate. Moreover Mr. Donisthorpe assumes that what has to be divided is a greater or less amount of profit. What in reality employers experience is an alternation of profit and

loss.* The labourers can pay no share of the loss. Indeed, one of Mr. Donisthorpe's strongest recommendations of his scheme is the facility with which it would enable labourers to change their employment in hard times. Paying no loss the labourers are clearly entitled to no profit. Mr. Donisthorpe objects strongly to the employer guaranteeing to the labourers a certain remuneration for their services; but this is precisely what his scheme does not prevent, and this is also the natural principle of barter.

It may be said that wages are already determined by estimated profits. True, but this is the essence of the matter: they are determined by profits estimated by employers for their own purposes, and acted upon freely by them according to their own judgment. One employer, who is working for stock, may from his estimate of profit be dismissing men, and his action tends to reduce wages; another, working to order, may be engaging men, and his action tends to raise wages. How could an employer get more men by merely rumouring it about that there was likely to be a bigger dividend at the end of the quarter with him than with his rival? The scheme, we shall presently see, makes provision for this, but we shall find the nature of that provision accurately described by Mr. Donisthorpe himself farther on.

With regard to the estimate of profits Mr. Donisthorpe ominously says, "The elected president of the hands would, of course, have access to the books, and, if need be, the balance payable to the labour

* On this point see Mr. Donisthorpe's own remarks farther on.

account could he handed over weekly, even though the books were made up at the usual intervals." If it is a hardship to employers to pay income tax, and often ruinous to pay wages, on their own free estimate of profits, what would be the result of paying on estimates controllable by those whose interests are different from theirs, at least in the dividend?

Mr. Donisthorpe's scheme, as is evident from its details, is an ingenious attempt to get over some of the difficulties of co-operation. He sees that co-operative labourers can never freely command capital; so he hopes to secure it for them by assigning to it a fixed proportion of profit. But the scheme is open to the same fatal objection I have formerly brought against co-operation itself. It contains no provision for securing that the share of each contributory shall or can be justly assigned.

In lieu of this Mr. Donisthorpe offers, like the co-operators generally, a brilliant picture of the productiveness of industry when all interests are reconciled. The co-operative features of the scheme are prominent in this; but there are some peculiar to Mr. Donisthorpe, with which I am more concerned.

Among the former I may notice that the workmen are to elect their own managers, and, in fact, pretty generally to have it their own way, capital acting towards them no longer as King Stork, but as King Log. One feature, however, is peculiar. The wages are to be paid over to them in a lump, and they are to distribute them according to their own ordinances. Moreover they are to elect new workmen, "and it will clearly be for their interests

to elect the best workers, and at the same time to elect those who will come for the least pay." I fear Mr. Donisthorpe must have been mischievous enough to send a copy of his pamphlet to Mr. Gladstone, for here we have another principle of the Irish Land Bill, that of free sale. The workmen, having got a share of their employers' profits to which (if it is real) they have no title, are to dispose of it on competitive terms to their less favoured brethren. Thus a hierarchy of middlemen is to be interposed between the workman who is a novice, or new comer, and his real employer. When these are to have the privilege of controlling the pay of their predecessors is not stated, but it is easy to imagine that men would be glad to escape from such a hornets' nest back to the region of strikes and locks out.

Mr. Donisthorpe believes that under this self-government labourers would be able to work as long or as short as they pleased, come one day, stay away another, register their time, and take their proportion of pay. Why does an employer not permit this? Because of the economical disadvantage of co-ordinating such irregularly conducted work, and this disadvantage would remain the same as before.

But I have noticed Mr. Donisthorpe's scheme chiefly for the purpose of availing myself of one of his arguments in favour of my own, that of making the direct control of hours by labourers a counterpoise for the direct control of wages by employers.*

* For a full exposition of this scheme see 'The Economy of Consumption,' Part II, Books III to VI. An outline of it has been given in an article on Competition and Industrial Organization, in the number of the "National Review" for August, 1885.

Mr. Donisthorpe says "one of the most important results of the new system will be the equilibration of supply and demand in the labour market during times of depression and expansion. It is well known that in periods of great commercial distress large manufacturers are in the habit of keeping their works going and paying full wages, even although they may be working at a dead loss, in order to keep the hands together to be ready with the full complement in case of revival; and also in many cases for another reason, namely, as a blind to their creditors, to whom a sudden contraction of their business would be a revelation."

All this is very significant in relation to profit-sharing.

Mr. Donisthorpe goes on to say,

". . . Under the new system, when trade is bad and profits low, the hands will suffer equally with the masters: those of them who know other crafts will prefer to change their work rather than go on at very low pay. . . ."

"Thus the action of the profit system will resemble the action of the governor-balls on a steam-engine; that is to say, it will substitute automatic equilibration for intermittent readjustment. He farther describes this as "a smooth continuous re-adjustment by infinitesimal adaptations."

Thus we see how the competitive claims of different concerns and different industries adjust themselves under Mr. Donisthorpe's system. It is clear that it is solely by the variations of cash payments, and these payments differ in no respect either in form, substance, or principle from wages.

How can men receive an unguaranteed profit upon the products of their work if they are at liberty to leave their employment for another with their profit in their pockets before these products are realized?

I fear also that, as in most of his anticipations of the results of his scheme (assuming it to be practicable) Mr. Donisthorpe is too sanguine. Specifically skilled labour is not so easily got rid of as to fly off on a mere depression of wages. I doubt if the number who are qualified for, even if they could at once get "elected" into a new position would suffice for effective re-adjustment. Mr. Donisthorpe also forgets that his labourers have vested interests as middlemen. In view of this difficulty of "equilibration" I some time ago propounded a plan which would be equally useful to the individuals adopting it whether it became a general custom or not. It was that each workman before taking the responsibility of marrying should make himself a full proficient in two trades as remote from each other in their mercantile relations as possible.

But even with this facility I hold that the fluctuations in the demand for labour in each particular trade cannot be balanced satisfactorily by interchange of labour between different trades. It is essential to the prosperity of each trade that a more exact adjustment should be made by variations of the hours of labour corresponding to the demand for it.

Mr. Donisthorpe probably does not express his meaning precisely when he says workmen get full wages in times of depression. At all events this is not the case. Still I agree with him that the present mode of determining both the duration of

labour and the rates of pay is extremely objectionable, especially in relation to such times. Although wages fall in dull times, yet it is true both that work is kept on too long, and that labourers receive more than the competitive value of their labour. I have formerly designated the excess "eleemosynary wages." I have given it this name rather as descriptive of its professed, than of its real nature. There is on the part of employers a general profession of benevolent motives in keeping on their hands in dull times. I do not question the sincerity of the profession, for, as I have formerly observed, people are remarkably disposed towards charity when it accords with their apparent interests to be so. But charity in this case covers a multitude of economical sins. The reason why employers in dull times keep wages above the strict competitive standard is because they are afraid of trades unions. The action of unions upon wages compels employers to act substantially in unison in relation to them, and this dulls the edge of competition, and necessarily retards any movement of wages adverse to labourers. The reasons why at such times employers think it for their interest to keep their labourers working "full time" are various. Those mentioned by Mr. Donisthorpe are important; but there are others. One is that it is a calculation, when loss is certain either way, whether the loss is greater of stopping or going on. I have had repeated occasion to show that employers habitually over-estimate the loss of "short-time," which is the natural remedy for over-production. It is also true that many of them dare not face a certain loss, and

would rather encounter a speculative one, even if it threatens to be greater. But the main reason lies in the nature of competition. Each employer wishes to get as large a share as possible of the demand going. To shorten his production alone would simply be to give a share of it to his rivals, and he does not see the end of such a course; while, before employers can agree to shorten production, the crisis must have reached the extreme form of general and aggravated over-production.

The reason why I have given the excess of payment to the labourers a bad name, which is only partially descriptive, is to open the eyes of the labourers to its pernicious effects upon their aggregate remuneration. Its true nature is a loan insured upon exorbitant terms. Its effect when demand revives is to keep the labourers more completely under the control of the employers, and to extend the period of depression of wages. It would be better, as I have formerly pointed out, for labourers, if in bad times they must live on credit, to take it from the tradesmen with whom they deal than from their employers. They might get credit from their tradesmen on very moderate terms by mutual guarantee. But this advice is not founded on the assumption that their employers intentionally overcharge them. By taking credit in the form of unearned wages they are inflicting upon the employers a positive and heavy loss, which has to be repaid, in addition to the profit on the outlay, not to all the employers, but to the survivors, who become masters of the whole body of labourers.

According to the time policy I have indicated,

unions would cease altogether to interfere with wages, and competition among employers regarding them would be restored to its natural keenness. But when wages were low, labourers would claim the right to diminish the supply of labour by reducing hours. If the employer thought the reduction of hours tended to increase the cost of production he would make his offer accordingly. The form of the offer might be this: "I will give so much an hour for ten hours a day; so much for nine, so much for eight," &c., and the labourers, under the instruction of the union, would take their choice. Thus the cost as well as the responsibility of working shorter hours would fall exclusively upon the labourers. No employer under these conditions would hesitate to work shorter time than his rivals, because he could diminish his cost of production on his own calculation correspondingly. The only check upon him would be the competition of his rivals; but this competition would ensure the workers the full competitive value of whatever time they chose to work, while their control of hours would prevent over-competition among themselves. Thus not only each trade, but each employer would be able to adjust the pace of production to the fluctuations of the demand immediately available to himself. The device of a labourers' bank lending the savings of the more fully employed labourers at retail rates of interest to the less fully employed would cover all the financial difficulties of the scheme, and leave a substantial benefit in addition both to borrowers and lenders.

BOOK VI.

SUMMARY OF MR. GEORGE'S LAST SIX BOOKS.

CHAPTER I.

Book V.—"The Problem Solved."

Chapter I. aims at showing that "land values" are the primary cause of commercial crises. "When labour cannot satisfy its wants, may we not with certainty infer that it can be from no other cause than that labour is denied access to land?"

The only reason Mr. George gives why competition cannot regulate "land values" as well as the values of other commodities is that land is limited in supply. Yet, according to him, it is practically unlimited, for this, as we have seen, is, on any interpretation, his reply to Malthus. Land, moreover, is in reality the least limited of all commodities. Other commodities are limited by labour. Land affects the supply of them only as it affects the

supply of raw material, and this is primarily affected by the supply of labour, so that even in a fully settled country, much more in the thinly peopled ones from which Mr. George draws his illustrations, all available land is never fully employed.

Mr. George in this chapter discusses the effects produced by the excesses of competition, but his account of them, though founded on observation, is, as a natural result of viewing them through the medium of his preconceptions, distorted in every line. He says: 'If speculation be the cause of these industrial depressions, it must be speculation in things not the production of labour, but yet necessary to the exertion of labour in the production of wealth—of things of fixed quantity; that is to say it must be speculation in land.' He imagines that the effects of speculation on land are special and peculiar, whereas they are merely normal results of competition. Like Ricardo and the Mills he commonly assumes that commodities exchange only among themselves; whereas they exchange also for land, and for labour in all the varied forms of service. Accordingly, he concludes, with James Mill, that the production of commodities is equivalent to the creation of purchasing power, eliminating the effects of competition on the distribution of purchasing power, which he attributes to monopoly of land. Now under competition production of commodities cannot possibly be equivalent to the creation of purchasing power, because production must always be of particular commodities, and

when any commodity is produced in excess of the current demand its aggregate purchasing power is immediately diminished. Moreover if the aggregate purchasing power of all commodities bears, as it would naturally appear to do, a constant ratio to the whole available supply of the remaining exchangeable things, land and labour, the greater the supply of commodities, the less will be the purchasing power of each portion of them. What is of more importance, the production of any commodity, or of all commodities, beyond a given point, which is practically indicated by the normal demand, or the demand at a medium price, diminishes the relative utility of the commodity or commodities so over-produced. If such commodities sell at a low price, that is, for a small quantity of labour, it is because they are being wasted, and because the producers are not being remunerated for them. *All production which is not remunerative to the producers, that is to say, which does not yield adequate wages and adequate profit, is necessarily over-production.* It takes from the producers in exertion more than it gives to the consumers in enjoyment. With a perfect system of exchange, therefore, which such reasoners absurdly suppose competition to be, production would stop at the limit of the real demand, all want would be satisfied, and all labour would be remunerated in the actual ratio of its utility, which would be the highest ratio which that labour was capable of attaining. It is absurd to suppose that at any given time the actual physical wants of a community are unlimited. In a community with

an organized industry by far the greater part of these wants, that is of any demands the supply of which is really conducive to the welfare of the community, is constantly supplied, and with an improvement in the distribution of labour and its proceeds such as I have suggested in the preceding book, they would be much better supplied, with greatly less labour, than at present.

Chapter II. affirms that every increase in the productive value of labour but increases rent.

CHAPTER II.

Book VI.—"The Remedy."

Chapter I., says, "no reduction in the expenses of government can of itself cure or mitigate the evils that arise from a constant tendency to the unequal distribution of wealth." Improved habits of industry and thrift will not relieve poverty, but only increase rent. Combinations of workmen cannot effectually control rent, co-operation, if it increased the productiveness of labour, would only increase rent. Take away the monopoly of land and competition would be equal, and, "could only exist to accomplish the end which co-operation aims at." Socialism is impracticable in the present state of society. "The idea of socialism is grand and noble, but such a state of society cannot be manufactured, it must grow. The tendency of ownership in land both in England and America is towards concentration: "free trade in land" would increase this tendency. "The same tendency which substitutes the factory, with its army of operatives, for many independent hand-loom weavers, is beginning to exhibit itself in agriculture."

"Now the existence of this tendency shows two things: first, that any measures which merely permit or facilitate the greater sub-division of land, would be inoperative; second, that any measures which would compel it would have a tendency to check production."

"If . . . the few thousand land-holders of Great Britain should be increased by two or three millions, these two or three millions would be gainers. But the rest of the population would gain nothing."

"That such a division of the land (as that in France or Belgium) is on the whole much better, and that it gives a far more stable basis to the State than that which prevails in England there can be no doubt. But that it does not make wages any higher, or improve the condition of the class who have only their labour is equally clear."

"An equal distribution of land is impossible, and anything short of that would only be a mitigation not a cure."

Chapter II. "To make, what justice commands they should be, the full earnings of the labourer, we must, therefore, substitute for the individual ownership of land a common ownership." "We must make land common property."

If one man works on rich land, another on poor, ought their rewards to be equalized? If they ought, neither receives "the earnings of his labour," and if all rewards are equalized, what becomes of competition? If, on the other hand, the rewards are not equalized, the land is not made common property.

CHAPTER III.

Book VII.—"Justice of the Remedy."

Chapter I. "That which a man makes or produces is his own, as against all the world, to enjoy or to destroy, to use, to exchange or to give."

How can what a man abstracts from the common property be his own? Does the exertion required to abstract it make it his? Mr. George says, "Land is the habitation of man, the store-house upon which he must draw for all his needs, the material to which his labour must be applied for the supply of all his desires."

If this store-house is common property, instead of its being free to all, is it not robbery for any one to take anything out of it and appropriate it to his own use?

"To affirm that a man can rightfully claim exclusive ownership in his own labour, when embodied in material things, is to deny that anyone can rightly claim exclusive ownership in land."

If a man can claim exclusive ownership in part of

the soil, which he takes away with him, why cannot he claim exclusive ownership in what remains? or if he can claim temporary ownership in the latter in order to cultivate it, and take away its produce, how can he not claim permanent ownership for the same purpose?

"If all existing men were to unite to grant away their equal rights, they could not grant away the rights of those who follow them.

"Let the parchments be ever so many, or possession ever so long, natural justice can recognize no right in one man to the possession and enjoyment of land that is not equally the right of all his fellows."

Then a particular community has no more right to occupy a particular country than a particular man a particular estate. The inhabitants of the richer countries must pay tax to the poorer.

"Though the sovereign people of the State of New York consent to the landed possessions of the Astors, the puniest infant that comes wailing into the world in the squalidest room of the most miserable tenement, becomes at that moment seized of an equal right with the millionaires. And it is robbed if the right is denied."

If it has a right to the ground, it must have a right also to the produce of the ground, consequently the extractor cannot have a right to it. If the rights of all are equal and inalienable the extractor must obtain the consent (assuming an inalienable right to be alienable) not of a majority of the proprietors, but of all. The rights of future

proprietors in the fertility of the soil and in its mineral wealth must also be reserved. What government can administer such rights? No government can pretend to speak authoritatively for all its subjects; no government has hitherto pretended to manage their private concerns, and it has usually been considered a bad government that has attempted to interfere with their own management of them.

"If one man can command the land upon which others must labour, he can appropriate the produce of their labour as the price of his permission to labour."

The same argument applies equally to capital.

"It is the continuous increase of rent—the price that labour is compelled to pay for the use of land, which strips the many of the wealth they earn, to pile it up in the hands of the few."

If there were no rent would all soils be equally productive, or all kinds of labour equally valuable? Is not communism in land without communism in other property as futile as it is illogical?

"When a title rests upon force, no complaint can be made when force annuls it."

The fact that land has often been wrongfully taken from its original appropriators is made much of by land reformers. It in reality does not affect the economical consequences of the free sanction of private property, while, if land is common property, any mode of appropriating it, including, as will be found, that of Mr. George himself, is equally indefensible. It is a principle founded not less in

equity than on expediency, to limit the period within which wrongs can be inquired into. If land was stolen two hundred years ago, those who otherwise would now have had a claim to it cannot be found, and probably do not exist; while the actual proprietors, even if the descendants of the actual thieves, have acquired a title relatively to the present generation by performing the functions of proprietors. The worst kind of robbery is that effected by governments and legislatures, because it sets a precedent that can always be followed, and thus destroys all security. It is also worse to rob on behalf of the many than of the few, because it is the robbers, and not the robbed, that robbery corrupts and destroys.

"The right to exclusive ownership of anything of human production is clear. No matter how many the hands through which it has passed, there was at the beginning of the line human labour, some one who having procured or produced it, by his exertions, had to it a clear title as against all the rest of mankind, and which could justly pass from one to another by sale or gift."

If Mr. George's theory is sound, the man who has produced anything at any time stole the material of which it was made. The Right Honourable Mountifort Longfield has drawn a distinction between the appropriation of land and the appropriation of its produce, on the ground that the supply of the former is limited, that of the latter potentially unlimited. The distinction is purely nonsensical. Without the actual appropriation of the limited supply of land by

some one, to the exclusion of all others desirous to appropriate it, the potential supply of its produce would not be unlimited, but non-existent.

"To improvements such an original title can be shown, but it is a title only to the improvements, and not to the land itself.

"But, it will be said, there are improvements which in time become indistinguishable from the land itself. Very well; then the title to the improvements becomes blended with the title to the land; the individual right is lost in the common right. It is the greater that swallows up the less, not the less that swallows up the greater."

This is a doctrine of comparative equity hardly to have been expected from the stern virtue of Mr. George. We have seen that when a man improves land what he does is to move something from one place to another.* The man who moved the things about has had no right even to move them, what then is his distinguishable claim on his improvements?

Mr. George says that an improver has only an equal right with every other member of the community in the value which is added to the land by the growth of the community.

This is the exact equivalent of John Stuart Mill's theory of "the unearned increment," but as the sole value of land comes from "the growth of the community," which, of course we are bound to take from the commencement,† this disposes of the right

* This is James Mill's definition of production generally.

† Mill proposes to appropriate future unearned increment; but this, as Mr. George urges, is a purely arbitrary distinction.

of the improver altogether, and makes John Stuart Mill's doctrine the exact equivalent of Mr. George's original doctrine in its purity, not as adulterated by Mr George himself with the improver.

"Yet it will be said as every man has a right to the use and enjoyment of nature, the man who is using land must be permitted the exclusive right to its use in order that he may get the full benefit of his labour. But there is no difficulty in determining where the individual right ends and the common right begins. A delicate and exact test is supplied by value, and with its aid there is no difficulty, no matter how dense the population may become, in determining and securing the exact rights of each, the equal rights of all. The value of land, as we have seen, is the price of monopoly. It is not the absolute, but the relative capability of land that determines its value. No matter what may be its intrinsic qualities, land that is no better than other land which may be had for the using, can have no value. And the value of land always measures the difference between it and the best land that may be had for the using. Thus the value of land expresses in exact and tangible form the right of the community in land held by an individual, and rent expresses the exact amount which the individual should pay to the community to satisfy the equal rights of all the other members of the community. Thus, if we concede to priority of possession the undisturbed use of land, confiscating rent for the benefit of the community, we reconcile the fixity of tenure which is necessary for improvement with a

full and complete recognition of the equal rights of all to the use of land."

There is a beautiful simplicity in this arrangement. I chance to occupy a better piece of land than you, or my land is nearer a town than yours. Therefore, I must pay you a rent equal to the difference of our returns. But who is to tell how far the difference is due to the difference of our exertions? Who is to measure my rent? I may improve my land, and my improvements may become "indistinguishable," and you may not improve at all. But "the greater swallows up the less," so I must pay you my rent all the same. My situation near town may involve harassing labour and heavy risks; who is to distinguish the reward due to these from "the share in the wealth produced which the exclusive right to the use of natural capabilities gives to the owner?" And how will this principle give fixity of tenure? The person to whose "priority of possession" is conceded "the undisturbed use of land," must either be the owner or tenant, he cannot be both: nor can he become both for he receives the remuneration only of the latter. If he had to let the land, therefore, he would get nothing for it. When he ceased to cultivate it he would have to give it up. But when the actual holder of land was unable to cultivate it efficiently he would be unwilling to give it up without compensation. He would be unable to let it: he would therefore cling to it, and neglect its cultivation.

Moreover, if the principle is good for individuals it is good for communities. If it is good for the

State of New York it is good for the Continent of America. If it is good for one Continent, it is good for the entire globe. Mr. George who is so heroic in drawing the logical conclusions from his premises cannot deny this. If the soil of Asia is better than the soil of Europe, Asia ought to pay tribute to Europe. If the population of Europe is denser than that of America, Europe should pay tribute to America.

This is not merely an objection to the practicability of the scheme, but to the validity of its principle. If the application of a principle is arbitrarily limited, if it stops, for example, at the village community, the municipality, or even at the State, and if it fails to regulate the relations of different States with each other, then it is not a principle of natural law. Let us suppose Mr. George's principle carried even to the limit of the State, how is it possible to regulate international rights under it? Each man is born, let us say, with an inalienable right to a share in the soil of his native country. Surely this is arbitrary enough in itself, seeing that that native country is a purely arbitrary creation, the result of conquest, or of hap-hazard occupation. But suppose 100 men emigrate from their country, do they on reaching the high seas lose their interest in its soil, and on landing in the country of their destination do they acquire an interest in *its* soil? Is that country entitled to oppose their landing, and if, through negligence, it permits it, do they thus acquire a claim on its soil? Or if a native of one country resides in another on mercantile affairs, when does he lose his

claim on the soil of the one, and acquire one on the soil of the other? Does this depend on civil law? And if the two countries happen to have contradictory laws of naturalization, may he lose his rights as a man altogether?

The case of the emigrants is analogous to that of the entrance of children into the world. There are lawful and unlawful ways of being born. Is it lawful for a State to try to prevent illegitimacy, the civil objection to which is, that the child is unprovided for, and yet if the child is smuggled in, does it at once acquire all the rights of lawful entrance? The misfortune of the principle of this scheme is that it is not founded on Mr. George's theory. Every man cannot cultivate the land, and surely the land which yields no rent is common property as well as the land which yields rent, and why should I allow another man to occupy that land in preference to myself? Is it any compensation to me that I receive rent, in common with him, from a man who occupies other land? It may be said that his occupation does me no harm if he only earns by it what I can earn by equal exertion without it. But this is precisely what competition never did and cannot possibly secure. Who, for example, is to regulate the quantity of land a man may occupy? And if a man occupies a large lot of land which pays no rent, and works it by hired labour, will he not earn more in proportion to his exertions than the labourers who work for him, and would not any one of these co-proprietors be willing to take his place?

If Mr. George's scheme were to be carried

out with any regard to the principle of common property, it would be incumbent on the State to be an inexorable landlord. Unless there were absolute freedom of competition for the occupation of land, who could tell what the effect of the growth of population, or of the decline of cultivation would be upon "land values?" Without competition there would be no "land values." If, therefore, any man offered more than I am willing to give for the land I have improved, out I must go, and if my distinguishable improvements are compensated, I should get for them no more than I should have earned by the same amount of labour on the land last occupied. The men who paid rent would be in precisely the same position. Their earnings would be determined by competition, which always favours the large producer. If the land were forcibly subdivided, this would, as Mr. George himself admits, impair production. If it were cultivated by capitalists, they would not only earn in proportion to their capital, but would demand permanence of tenure, and right of sale, and as without these capital could not be got, they would obtain them. They would thus become monopolists, with only a rent to pay to the State which they would re-levy from the consumers.

It is impossible to exhaust the contradictions and absurdities of Mr. George's scheme, which, like his speculations generally, is without assignable limits.

Chapter II. "Place 100 men on an island from which there is no escape, and whether you make one of these men the absolute owner of the other ninety-

nine, or the absolute owner of the soil of the island, will make no difference either to him or to them."

A hundred men need not go on an island of which there is an absolute owner unless they go by agreement with him. Say nine men agree to go as his tenants, and ninety as their free labourers. All of them would be as free personally as the landlord. Suppose there were no means of escape all the control the landlord would have over the tenants, or the tenants over the labourers would depend on the contract. If the contract were not respected, it would be the ninety who would make slaves of the nine, or the ninety-nine of the one, and not the reverse.

This chapter is occupied with an attempt to show that this is in a greater or less degree the kind of power landlords have over the inhabitants of civilized countries. The actual competition among owners for the hire of their land suffices to dispose of the hypothesis, and if the land possessed the fertility alleged by Mr. George, it would bring neither hire nor price, but would be free to any one who chose to cultivate it.

Chapter III. Mr. George, speaking of John Stuart Mill, says, "Great as he was, and pure as he was, warm heart and noble mind, he yet never saw the true harmonies of economic law, nor realized how from this one great fundamental wrong flow want and misery, and vice and shame. Else he could never have written this sentence: 'The land of Ireland, the land of every country belongs to the people of that country. The individuals called landowners have no right in morality and justice to any-

thing but the rent, or compensation for its saleable value.' "

Mr. George in this chapter reasons cogently and effectively against those who say land is common property, and yet propose to pay rent to landlords.

"For this robbery is not like the robbery of a house or a sum of money, that ceases with the act (?). It is a fresh and continuous robbery that goes on every day and every hour. . . . It is not from the produce of the past that rent is drawn, it is from the produce of the present."

"Because I was robbed yesterday, and the day before that, is it any reason that I should suffer myself to be robbed to-day and to-morrow?"

Chapter IV. In this chapter Mr. George considers property in land historically. In my comments on the first chapter of this book I have already said all that is necessary on the relation of the historical to the economical question. Mr. George, like other modern reformers, prefers the tenures of savages and barbarians to those of civilized States, accordingly he looks upon the progress of the latter from undefined to definite tenures, upon which our advanced industrial organization rests, as a retrogression.

In the second chapter of this book he says, "It is the ownership of the soil that everywhere gives the ownership of the men who live upon it." In Chapter IV. he traces the origin of private ownership to "the concentration of power in the hands of chieftains of the military class, consequent on a state of warfare which enabled them to monopolize common lands." Thus the ownership of land gave the

ownership of men, and the concentration of power over men gave the ownership of land. In concluding the chapter he says, "Turning back, wherever there is light to guide us, we may everywhere see that in their first perceptions all peoples have recognized the common ownership in land, and that private property is an usurpation, a creation of force and fraud."

It is surely a wonderful reading of history to make the progress of society upon which civilization is based a progress in usurpation, the creation of force and fraud. Primitive tenures of land did not rest on any abstract theory of equality of rights, but on the need of association and co-operation for the purposes both of industry and defence, and upon immature ideas of the laws of association. A tribe did not scruple to seize any land it thought convenient, because of the rights of other tribes, nor would individuals have scrupled to do so had they had the capacity to realize the idea of hired labour, or the power to command slaves. The progress of society, though chequered, has been in the direction of the elimination of force and fraud.

In Chapter V. Mr. George discusses the land laws of the United States. He says, "We did not establish the republic when, in the face of principalities and powers, we flung the declaration of the inalienable rights of men; we shall never establish the republic until we practically carry out that declaration by securing to the poorest child born among us an equal right to his native soil."

The securing to the poorest child born an equal

right to his native soil (which by the way was stolen from savages) would not bring in the millenium even in the United States where soil is still abundant. Men do not live by soil but by labour, and the welfare of a community depends on the distribution of its labour, not on the ownership of its soil. Would the confiscation by the State of "land-values" prevent more iron from being made in a year than is wanted, or would it prevent the farmers of the United States from growing too much corn for sale abroad, and if competing countries grow too much also will it avert the depression resulting from mis-distributed industry? The things have evidently no relation. The one depends on competition, which the other does not affect. "Land values" themselves are determined by competition; but if it were possible to determine them otherwise, their being so determined would not alter the nature of competition, nor prevent it from determining other values in precisely the same way as it had determined them. As long as speculative production continues there will be excesses of production, and labourers will be left unemployed because of over-production.

CHAPTER IV.

Book VIII.—Application of the Remedy.

Chapter I. "What is required for the improvement of land is not absolute ownership of the land, but security for the improvements."

"If no private ownership of land were acknowledged, but all land were held in this way (by the State or Municipality) would not land be used or improved as well and as securely as now?"

"It is not necessary to say to a man, 'this land is yours,' in order to induce him to cultivate or improve it. It is only necessary to say to him, 'Whatever your labour or capital produces on this land shall be yours.' Give a man security that he may reap, and he will sow; assure him of the possession of the house he wants to build and he will build it."

"Were land treated as public property, it would be used and improved as soon as there was need for its use and improvement, but being treated as private property, the individual owner is permitted to prevent others from using or improving what he cannot or will not use or improve himself."

In the same chapter in which he has said, the land of every country belongs to the people of that country," John Stuart Mill discusses what ought to be done with the land of Ireland provided the State should see fit to expropriate the present proprietors. He says, "a perpetuity is a stronger stimulus than the longest lease: not only because the longest lease before coming to an end passes through all the variety of short leases down to no lease at all; but for more fundamental reasons. It is very shallow, even in pure economics, to take no account of the influence of imagination: there is a virtue in "for ever" beyond the longest term of years, even if the term is long enough to include children, and all whom a person individually cares for . . . he will not exert himself with the same ardour to increase the value of an estate his interest in which diminishes every year."

He therefore says, "For carrying this change into effect on a sufficiently large scale to accomplish the complete abolition of cottier tenancy, the mode which most obviously suggests itself is the direct one of doing the thing outright by Act of Parliament; making the whole land of Ireland the property of the tenants, subject to the rents now really paid (not the nominal rents) as a fixed rent charge."

It is characteristic of John Stuart Mill that he fails to see the total lack of logical coherence between his arguments and his conclusion. If the land of Ireland belongs to the people of Ireland, it would not belong the less to them after an Act of Parliament gave it for ever to the tenants, and how

could a title to the land "for ever" be constituted by an Act which took it from one set of proprietors without their consent to give it to another? Surely the same power which did this once could do it again. In the act of spoliation there is an implicit assumption that all private property exists only at the pleasure of the State, and as it is only a confiscating legislature that can make such assumptions, a tenure granted by it would convey no sense of security. But on the question of motives Mill is right, and Mr. George is wrong. Even in towns complaints are frequent of the neglect of property built on leasehold. But a private owner has the power not only to improve himself, but to stipulate that the property shall be at least properly maintained by the tenant till the close of his lease. When this power is not exercised, it is generally because ownership is under some artificial trammels or restraints, whether legal or customary. The State cannot take direct charge of the improvement of the whole land of the community, neither can it compel its tenants to improve. Mr. George forgets, too, that his State, has absorbed the whole rent of the land, and thus taken away the entire capital naturally destined to its improvement. According to his own law the tenant of the richest land would only earn the same revenue as the tenant of the land last entered on. Where would be the capital, not to speak of the motive, for improvement? With short or uncertain leases such tenants would evidently not be improvers at all. To induce capitalists to work land on such terms the longest leases, at

all events, would be needed, and these tenants would insist upon a fixed rent instead of a tax upon the profits of production. If, moreover, with fixity of tenure they did not get free sale, cultivation would fall into neglect. And whether the rent was fixed or differential they would have power to re-levy it on the community, and no individual would escape his natural share of taxation. The State tenants would simply be proprietors and farmers of the revenue, with an insecure title based on popular caprice.

Chapter II. "I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second, needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call *their* land. Let them buy and sell and bequeath and devise it. We may safely leave them the shell, if we take the kernel. It is not necessary to confiscate land, it is only necessary to confiscate rent."*

"By leaving the landowners a percentage of rent, which would probably be much less than the cost and loss involved in attempting to let lands through State agency, and by making use of this existing machinery, we may, without jar or check, assert the common right to land by taking rent for public uses."

"No owner of land need be dispossessed; and no restriction need be placed upon the amount of land any one could hold."

* The last sentence is in italics.

Mr. George's scheme is thus to leave to the landlords the entire charge of fulfilling the duties of landlords, and to take away from them both the power and the motives to fulfil them. One result of the scheme would certainly be the rack-renting of all tenants, if it did not compel all landlords, whether fit or unfit to cultivate for themselves; for if the tenants did not succeed in paying higher rents, and getting higher returns from the public, then the cultivation of land would be left to poverty-stricken owners, or to the poorest tenants ground down by them. This is assuming Mr. George's scheme would work as supposed by himself. In reality in a country where there was free importation of grain it would simply put the land out of cultivation; in a country where cultivation was protected, the landlords would re-levy the whole taxation from the public. On the other hand, if the land were cultivated by the proprietors, this would remove the entire basis of Mr. George's scheme, as there would be no means of ascertaining what rent was. Nor if part of the land were hired, and part cultivated by owners, would it be possible to make anything like a fair adjustment between the two. Actual rent, besides, includes the value of improvements, and as that value depends as much as original rent on the growth of population, who is to distinguish between them?

Chapter III. Mr. George's third chapter is devoted to the canons of taxation. In it he proposes to try his remedy by "the accepted canons of taxation." It is scarcely possible to criticize such

an attempt, because there is no subject on which the speculations of economists are more vague and unfounded than on the incidence of taxation. This is because they have never systematically attended to the distinction between immediate and ultimate incidence. The fundamental principle I have laid down on this subject is that, except in regard to cost of collection, the immediate incidence of taxation in no way affects the ultimate incidence, which is determined solely by the laws of industrial organization. The ultimate law of taxation I have deduced from this principle is that taxes fall upon consumption (not on income) in the direct ratio of the value consumed. The effect of levying taxes remote from ultimate incidence is, as Mr. George acknowledges, to increase the cost of collection.

As to his particular theory it is to be noted that Mr. George assumes that the value of rent is easily and certainly ascertainable, whereas, as has been abundantly shown, the value of rent in Mr. George's sense never has been, and cannot possibly be ascertained. He says: "The tax on land values, which is the least arbitrary of taxes, possesses in the highest degree the element of certainty. It may be assessed and collected with a definiteness that partakes of the immoveable and unconcealable character of the land itself."

Chapter IV. In Chapter IV. Mr. George cites authorities in favour of his scheme. These are the Physiocrates, Ricardo, MacCulloch, John Stuart Mill and Mr. Fawcett. In reply to MacCulloch's objection that it is impracticable to distinguish rent

in the abstract, and mischievous to tax it in the concrete, he says, "admitting that it is impossible to invariably separate the value of land from the value of improvements, is this necessity of continuing to tax *some* improvements any reason why we should continue to tax all improvements?"

"But as a matter of fact the value of land can always be readily distinguished from the value of improvements."

To the question in the first paragraph any rational economist would necessarily answer, "yes." As to the assertion in the second, it is not only unproved, but directly disprovable. If one man cultivates his field carefully and diligently, and another negligently, who is to tell how far the difference of result is due to nature, and how far to art? Who is to bring back the fields to their original state? But, as has been already shown, as soon as Mr. George's scheme began to work, not only abstract, but concrete rent would become indistinguishable.

CHAPTER V.

Book IX.—"Effects of the Remedy."

Chapter I. is a rhodomontade on the vast expansion that would result to industry from freeing it from taxation. A few extracts will show its spirit.

"With all the burdens removed which now oppress industry and hamper exchange, the production of wealth would go on with a rapidity now undreamed of. This in its turn would lead to an increase in the value of land, a new surplus, which society might take for general uses."

"The State would say to the producer, 'Be as industrious, as thrifty, and as enterprising as you choose, you shall have your full reward: You shall not be fined for making two blades of grass grow where one grew before, you shall not be taxed for adding to the aggregate wealth.'"

"The selling price of land would fall: land speculation would receive its death-blow; land monopolization would no longer pay."

"But this simple device of placing all taxes on the value of land would be in effect putting up the land at auction to whoever would pay the highest rent to the State."

"The monopolist of agricultural land would be taxed as much as though his land were covered with houses and barns, with crops, and with stock."

Here is a choice selection of passages indeed, and the reader may well be embarrassed with his riches.

The producer, it is to be noted, is to be untaxed, and the landlord, from whom the State has already taken all he has to give (Mr. George himself says in this very chapter, "so as very nearly to consume the value of the land") is to be farther taxed on the additional produce of his imaginary tenant, who is to enjoy the whole of that produce undisturbed. Has Mr. George forgotten his own principles? He has changed nothing in his laws of distribution of wealth. He has only decreed that the landlord's share shall go in great measure to the State. It is singular that even Mr. George finds the landlord of such use that he leaves him a pittance. But clearly the less he leaves him the more exacting he will be on his tenant. Now we know that, according to Mr. George, the landlord's share absorbs everything except bare maintenance to the labourers, and that the capitalist, unless through some mysterious rascality he becomes a sharer of rent, fares no better. Where, then, is the "producer" to get his reward for improvements, especially seeing the land is virtually being incessantly put up to auction?

In Book IV., Chapter III., we have learned that

all kinds of improvement, physical and moral, including remission of taxes, do but increase rent. What, therefore, according to Mr. George ought to happen should be that the State should receive nearly the whole produce of industry, the direct result of the exertions of landlords, capitalists and labourers being universal poverty, relieved only by a communistic distribution of the surplus produce by the State.

Although Mr. George has not perceived it, this is not only the logical result of the economical law he has propounded, but also the natural outcome of his fundamental principle of community of property, apart from his arbitrary limitations of it. For if everything belongs to everybody, the reward of labour cannot possibly be, as Mr. George asserts, the produce of labour, but can only be some pittance presumed to be consistent with common ownership.

After all his elaborate efforts to reconcile it with a free competitive organization, Mr. George's scheme thus relapses, by the retributive harmony of natural logic into the impotence of socialistic communism. The initial difficulty of the communistic theory still lies at its threshold: how the exertion of industry is to be secured, when the return for his labour comes to the labourer not in the ratio of his own exertions but of the exertions of others; when the fruits of his labour are shared with them and of theirs with him on the principle of original ownership, and not of actual contribution? To sum up: we learn in the first of the paragraphs quoted that the value of land would increase; in the third that its

selling price would fall: in the second the man who makes two blades of grass grow is to be undisturbed; in the fourth his land is to be put up at auction. Finally, in the fifth we are informed that it is not rent either abstract or concrete that is to be taxed, but the possession of land.

In Chapter II. Mr. George insists in clear contradiction both to his theory and his economic laws that the transference of "rent" to the State would increase the direct earning power of labour. This either implies that the State would be a lax landlord, or that the landlord does not possess the power Mr. George ascribes. If the State were a lax landlord the benefit would not accrue directly to the labourer, but primarily to the landlord, secondly to the capitalist, and lastly to the labourer, who would fare in relation to the other two no better than before. Mr. George admits that by generally supplying wants his scheme would diminish motives to exertion. The question is, seeing that it would dissociate the supply of wants from the exercise of exertion, whether it would leave motive for exertion sufficient to supply wants.

Chapter III. deals with the effects of the scheme on the distribution of wealth. It says: "Wealth would be distributed in accordance with the degree in which the industry, skill, knowledge, or prudence of each contributed to the common stock." In the preceding chapter he has said "the wealth produced in every community would be divided into two portions. One part would be distributed in wages and interest between individual producers accord-